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Future of the EU Cohesion Policy in the Programming Period 2014 – 2020

Budoucnost politiky soudržnosti EU v programovacím období 2014 – 2020

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1. Introduction
  2. Proposals of the EU cohesion policy in the programming period 2014 - 2020
  3. Comparison of the EU cohesion policy in programming periods 2007 – 2013 and 2014 – 2020
  4. The EU cohesion policy reform consequences for the Czech Republic and the Moravian-Silesian region after 2013
  5. Conclusion
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List of abbreviations  
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### References:

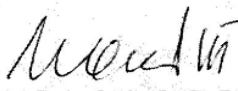
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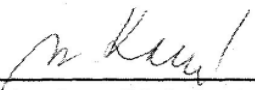
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„Hereby I declare that I elaborated the entire thesis, including all enclosures, independently. On the list of references, I mention all the books and electronic resources that have been used.“

In Ostrava, 26<sup>th</sup> April 2013

A handwritten signature in black ink, reading "Bohdan Vahalík". The signature is written in a cursive style with a horizontal dotted line underneath it.

Bc. Bohdan Vahalík

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# 1. Introduction

The contemporary European Union represents a community of European countries that share a common history, values and objectives. The European Union aims „to increase the standard of living and quality of live for all EU citizen, use its resources to reduce gaps in economic development among its members, and thus establish a more socially and economically cohesive solidarity among the member states“.<sup>1</sup> To achieve this objective, there is an instrument shared between the EU and the member states called the EU Cohesion Policy. The European Union is being currently influenced by many changes in global economy and it has to face many challenges that come from inside or outside of the Union. Inner pressures, which came out mainly from different socio-economic performance and large disparities between rich and poor regions of the European Union, are the reason for the existence of the EU Cohesion Policy. A promotion of economic, social and territorial cohesion by ensuring distribution of wealth across the EU regions became the main task. In addition to that, this kind of investment policy focuses on increasing of competitiveness of more developed regions. The EU Cohesion Policy has very deep foundation in the functioning of the EU and it is one of the most dynamic policies. The functioning of the EU is based on multi-annual cycles and one of these cycles is going to start just at the beginning of 2014.

The **main target of this thesis** is to present the functioning of the EU Cohesion Policy in the programming period 2014 – 2020 at the European, national and regional level. To understand the changes that are carried out under the cohesion policy, this thesis compares the functioning of current and future programming period. Each new programming period is characterized by new approaches, aims and tools that are based on previous experience with implementation of this policy on the EU grounds. The hypothesis is built on an objective of the European Commission to create more transparent, simpler and efficient policy that focuses on cohesion and competitiveness. It also presents the consequences of the EU Cohesion Policy reform for the Czech Republic and the Moravia-Silesia region.

This thesis is divided into three main chapters and it is structured from the highest European level through the national level to the lowest regional level of the EU Cohesion Policy. The introductory chapter (2nd) mentions the proposal of the EU Cohesion Policy

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<sup>1</sup> GINSBERG, Roy H. *Demystifying the European Union: The Enduring Logic of Regional Integration*. Lanham: Rowman & Littlefield Publishers, Inc., 2007. 423 p. ISBN 978-07425-3654-8.

2014 – 2020 as it is prepared on the European level. The first part of this chapter brings up reasons for the cohesion policy reform. Then it talks about proposed forms of the future cohesion policy, the legislative and financial framework, objectives, instruments, programming structure and responsible authorities for its implementation.

The subject of the third chapter is a comparison of the content of the cohesion policy in the programming period 2007 – 2013 and 2014 – 2020. To understand the changes in these individual periods, there are solutions to specific areas of the EU Cohesion Policy introduced in immediate connection, sometimes simultaneously. Furthermore, the legislative and financial framework, objectives of the cohesion policy, types of regions, the EU Funds and other financial instruments, documents and implementing process are compared.

The last chapter (4th) deals with the consequences of the EU Cohesion Policy reform for the Czech Republic and the Moravia-Silesia region. It introduces the functioning of the current cohesion policy on national and regional level of the Czech Republic. Both programming periods are analyzed in the same way, but individually. Firstly, it focuses on the implementation of the EU Cohesion Policy 2007 – 2013 in the Czech Republic and analyses programming documents, objectives, regions, operational programmes, financial allocations and authorities responsible for its implementation. The following section discusses the possible form of cohesion policy in the Czech Republic in the period 2014 – 2020 in the same manner. The subsequent section talks about the implementation of this policy in the Moravia-Silesia region in the current period. It focuses primarily on the presentation of the problems and priorities of the region, analysis of the Regional Operational Programme Moravia-Silesia and the success of drawing of structural assistance from the EU Funds. The last part deals with preparation of instruments and initiatives in the Moravia-Silesia region for the programming period 2014 – 2020 which should guarantee the future readiness for efficient use of the EU Funds.

There were used foreign and domestic literature sources, mainly from the current legislative acts of the European institutions, Czech and regional authorities, during the processing of the thesis. Moreover, there were employed the proposals for future legislative acts published again on all three territorial levels.

## 2. Proposals of the EU Cohesion Policy in the programming period 2014 – 2020

### 2.1 The EU Cohesion Policy and reasons for its reform

Cohesion is a political and social level where differences in economic and social welfare among regions and groups are still politically and socially tolerable. Improving cohesion is based on reducing disparities (convergence) that is a process where individual regions are approaching at the same level of economic and social growth and vice versa the growth of disparities (divergence) is the cause of reducing cohesion.<sup>2</sup> Cohesion has become a political objective that can be achieved assuming the growth of socio-economic convergence and integration, i.e. the linking process and delegation of powers to a higher political level.<sup>3</sup> The EU Cohesion Policy is an intervention tool to **reduce inequalities** among the EU Member States and their regions on economic, social and territorial level to ensure their balanced development and equal opportunities for all their inhabitants. The EU Cohesion Policy is one of the greatest and most important EU policies, which belongs, with the European Single Market Policy and the EU Monetary Policy, to the **pillars** of structure and functioning of the European Union. The Cohesion Policy is the result of **solidarity** among rich and poor member states and their regions, it is the **shared EU policy**<sup>4</sup> and represents almost one third of the EU budget for selected programming period. The funds are distributed according to predetermined conditions among individual EU Member States to solve the region specific problems. The EU Cohesion Policy touches the economic, social and territorial level of the regions in terms of sustainable development, job creation, competitiveness of private sectors, environment protection, innovation, investment in education and many others.

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<sup>2</sup> MOLLE, Willem. *European Cohesion Policy*. London: Routledge, 2007. 347 p. ISBN 978-0-415-43812-4.

<sup>3</sup> LEONARDI, Robert. *Cohesion Policy in the European Union: The building of Europe*. New York: Palgrave Macmillan, 2005. 215 p. ISBN 1-4039-4955-7.

<sup>4</sup> The EU Member States may legislate in the area, provided that the EU has not done that already.

### 2.1.1 The EU Cohesion Policy roots

There is a mention about all states aiming to focus on their development through the reduction of regional disparities<sup>5</sup> among Member States and to prevent disadvantaged regions lagged behind<sup>6</sup> in one of *the Treaties of Rome* that founded the European Economic Community (1957). However, the **regional policy** was implemented within each member state due to the number of EEC Member States in the 50's and their quite similar performance. Reflections about a common cohesion policy have already occurred in the 60's under the plans to create *the Single European Market*<sup>7</sup> and *the European Monetary Union*<sup>8</sup>. *The European Regional Development Fund (ERDF)* reducing disparities among European regions in many various areas, was created in 1975. The target areas were for example to support small and medium-sized enterprises, infrastructure and innovations, promote regions and many others, and it is considered as the beginning of the European regional policy.

In response to **enlargement** of the *European Communities (ECs)*<sup>9</sup>, at the same time when the EU Structural Policy specific plans in 2<sup>nd</sup> half of 80's were created, the Single European Act (SEA), which presented the first major revision of the original Treaties of Rome, was adopted. **The EU Structural Policy** had been integrated with a part of agriculture policy and social policy to ensure more coordination. The EU enlargement process shows Enclosure 1. *The Maastricht Treaty* came into force in 1993 and the **EU Cohesion Policy** was directly introduced to primary law by this act and became an integral part of the European agenda. The EU Cohesion Policy consists of economic, social and, since *the Lisbon Treaty* was adopted in 2009, environmental dimension. This reform touched the whole concept of EU Cohesion Policy, from coordination of financial instruments, through the introduction of principles to functioning of the entire policy itself.

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<sup>5</sup> Regional disparities can be defined as differences in performance and prosperity of the economies of individual countries or regions.

<sup>6</sup> COUNCIL OF THE EUROPEAN UNION. *Financial Perspective 2007 – 2013* [online]. 2005 [cit. 8. 2. 2013]. Available from: [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/misc/87677.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/misc/87677.pdf).

<sup>7</sup> The Single European Market is a type of trade bloc which is composed of common trade policy and freedom of movement of goods, services, labour and capital. All EU Member States are part of the Single European Market.

<sup>8</sup> European Monetary Union is a community of the EU Member States which share a common currency or its equivalent. The European Monetary Union currently consists of 17 EU Member States.

<sup>9</sup> European Communities presented by European Atomic Energy Community (EURATOM), European Coal and Steel Community (ECSC) and European Economic Community (EEC) were created by Merger Treaty in 1967.

The principle of programming has become an important part of future cohesion policies. Individual EU Cohesion Policy programming periods shows Table 2.1.

**Table 2.1: EU Cohesion Policy programming periods**

Programming period	Years
1.	1994 - 1999
2.	2000 - 2006
3.	2007 - 2013
4.	2014 - 2020

Source: Own elaboration, 2012

The Maastricht Treaty adapted the concept of cohesion policy for the coming programming period and to strengthen cohesion by establishing a new *Cohesion Fund (CF)* to support infrastructure development and environmental protection. Establishment of *Committee of the Regions*<sup>10</sup> was another step to support cohesion. *The Agenda 2000* became an important document for cohesion policy in 2<sup>nd</sup> programming period in which the EU prepared for the biggest enlargement in its history.<sup>11</sup> That document changed the face of EU Cohesion Policy towards flexibility and simplicity again. Preparation of the third current EU Cohesion Policy programming period was very slow and due to the reluctance of EU Member States to raise EU budget, the launch of the present programming period was delayed. Even in this period, the EU Cohesion Policy has been going through many changes.

### **2.1.2. Debate on the future of EU Cohesion Policy**

Each new programming period brings many changes to improve the effect of the cohesion policy in the EU context. Talks about the form of the EU Cohesion Policy after 2013 have started at the beginning of current programming period (2007). The impetus was *the Fourth Report on Economic and Social Cohesion*<sup>12</sup> which maps the development of cohesion policy and defines the key issues that should become a subject of discussion. The EU Cohesion Policy 2014 – 2020 debates lasted by 2011.

<sup>10</sup> Committee of the Regions is a consultative body representing regional and local authorities and expressing their views on EU legislation.

<sup>11</sup> The EU was enlarged in 2004 by 10 new Member States of Central, Eastern and Southern Europe. All new Member States were characterized by low economic status which led to pressure on the EU budget.

<sup>12</sup> According to the Lisbon Treaty, the Commission shall submit a report on progress made towards achieving economic, social and territorial cohesion to the European Parliament, the Council of the EU, the Economic and Social Committee and the Committee of the Regions every three years.

The publication of the *Green Paper on Territorial Cohesion* in 2008 was another impulse. This document opens the **debate on impact** of EU policies on the territory<sup>13</sup> and how to ensure an integrated approach of this policy at all levels, i.e. supranational, national and regional. It also puts emphasis on simpler, more effective and adaptable set of tools, territorial development of new EU Member States and balanced and sustainable development fostering competitiveness while preserving natural resources.

The most important independent document is *the Agenda for a Reformed Cohesion Policy* which was published in 2009 (called Barca<sup>14</sup> report). This document sets out a proposal of revision of current state of cohesion policy and opens the discussion on the design of cohesion policy after 2013. This extensive study at the outset points to importance of the reform of cohesion policy based on ten pillars which would better reflect the future needs and challenges faced by the EU. It highlights the fact that the current cohesion policy provides the appropriate basis for next steps and that decisions made in the previous reforms have been correct. However, there is an emphasis on comprehensive reform which should be primarily based on smaller bureaucracy, place-based development strategy, key issues of the European regions and reform of the EU budget. In the allocation of funds, the reform should be based on the achieved results and greater involvement of stakeholders at the local level. It is also important to avoid faults in implementation, such as complicated financial system, inadequate monitoring, difficult evaluation success of projects etc.<sup>15</sup>

*The Europe 2020: A strategy for smart, sustainable and inclusive growth* is a major document which sets the direction for future cohesion policy. The Europe 2020 Strategy is a vision for the way of the EU for the current decade in which the EU needs to overcome economic crisis and establishes a new path to different type of growth than that has been previously used. The EU priority is to go the way of:<sup>16</sup>

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<sup>13</sup> Formally, the territorial cohesion was included in the agenda of the EU Cohesion Policy to the Lisbon Treaty in Chapter XVIII, the Articles 174 – 178th.

<sup>14</sup> The Director-General of the Italian Ministry of Finance and Economy Fabrizio Barca was commissioned for the formulation of this document (this is not an official document of the European Commission).

<sup>15</sup> BARCA, Fabrizio. *An agenda for a reformed cohesion policy: A place-based approach to meeting European Union challenges and expectations* [online]. 2007 [cit. 2012-06-27]. Available from: [http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/regi/dv/barca\\_report\\_/barca\\_report\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/regi/dv/barca_report_/barca_report_en.pdf).

<sup>16</sup> EUROPEAN COMMISSION. *Communication from the Commission Europe 2020: A strategy for smart, sustainable and inclusive growth* [online]. 2010a [cit. 2012-06-27]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>.

- **Smart growth** – developing an economy based on knowledge and innovation,
- **Sustainable growth** – promoting a more resource efficient, greener and more competitive economy,
- **Inclusive growth** – fostering a high-employment economy delivering social and territorial cohesion,

and resolve lacks of current economic models and prepare for the future challenges that will face it. There were defined five targets for this purpose which relates to employment, education, research and innovation, social inclusion and poverty reduction, climate and energy issues. The Strategy also presents seven initiatives which create a bridge between the EU Member States and European institutions in achieving their objectives. The EU wants to mobilize all its policies and instruments such as the internal market, economic and monetary policy, common budget or foreign policy. But first, the EU needs credible medium-term and long-term strategy, a reform of the financial system, consolidate the national budgets and make coordination within the Economic and Monetary Union more effective to escape the crisis. The Europe 2020 Strategy is based on the thematic approach<sup>17</sup> and stricter surveillance of each Member State<sup>18</sup>. The EU should come out strong from the current crisis, while pointing to a better life on the European continent with this concept.<sup>19</sup>

*The 5<sup>th</sup> Cohesion Report* published in 2010, presents some of the Commission key ideas for the reform of cohesion policy. This report confirms its needs that should continue to play a key role in reducing of regional disparities and in achievement of Europe 2020 Strategy targets. The new EU Cohesion Policy should simplify the daily management, cutting red-tape and lead up the policy towards results in the forthcoming programming period. This requires a clear and strategic approach at the highest level and intense negotiation process between the *European Commission (EC)* and EU Member States. This approach would consist of a **Common Strategic Framework (CSF)**, a development and investment partnership contracts and operational programmes. The future programming period should focus the EU and national resources on a small number of priorities corresponding to the specific challenges at national level and Europe 2020 Strategy at supra-national level.

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<sup>17</sup> The thematic approach focuses on priorities and objectives, taking into account the EU dimension, clearly shows the interdependence of the economies of the EU Member States and allows for greater selectivity for specific initiatives.

<sup>18</sup> Supervision ought to be carried out through reports on individual countries assist Member States, identify and implement strategies for overcoming the crisis, restore macroeconomic stability, identify national barriers and enable their economies to achieve sustainable public finances and growth again.

<sup>19</sup> EUROPEAN COMMISSION [online], 2010a, ref. 16.

Changes should come in financial penalties system for violation of *the Stability and Growth pact*<sup>20</sup> by transition limited to all funds, not only the Cohesion fund, co-financing system should be reviewed and differentiated to reflect better the level of regional development and a new instrument of performance reserve should be put in place.<sup>21</sup>

The result-oriented approach has to be based on clear and measurable targets and outcome indicators for ex-ante evaluation. The European Commission would like to use more combination of grants and loans for member states and their regions, which will help to create revolving forms of finances, making the projects more sustainable over the long term. The cohesion support should pay attention to urban areas, territories with particular geographical features and urban-rural linkage. Changes in budget and financial management part should streamline and simplify delivery system, reduce administrative burden and strengthen financial control. These ideas were fine-tuned and consolidated in the proposals of the new EU Cohesion Policy.<sup>22</sup>

The EU Cohesion Policy is a very complicated system involving big budget, many organizations and very large number of diverse projects. Therefore in 2011, the European Commission published a study where analyzes errors in cohesion policy to avoid the ones that often occur. These faults are usually detected through audits and controls which take place before, during and after the funds are spent by national or Community bodies. There are four types of main errors: public procurement, eligibility, audit trail and revenue generated projects. In the case of the European Regional Development Fund and the Cohesion Fund most errors were made in public procurement (41 %) and eligibility (39 %) part, while in the Social Fund most errors were in eligibility (58 %) and audit trail (35 %). Therefore, the European Commission wants to eliminate these errors through control deepening, greater national responsibility of the finance and audit, reducing the number of authorities involved in the process, setting new conditions and introducing electronic data management at all levels.<sup>23</sup>

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<sup>20</sup> The Stability and Growth Pact (SGP) is a rule-based framework for the coordination of national fiscal policies in the economic and monetary union (EMU).

<sup>21</sup> A limited share of the cohesion budget would be set aside and be allocated, during a mid-term review, to the EU Member States and regions whose programs have contributed most — compared to their starting point — to the Europe 2020 Strategy targets.

<sup>22</sup> EUROPEAN COMMISSION [online], 2010a, ref. 16.

<sup>23</sup> EUROPEAN COMMISSION. *Errors in Cohesion Policy* [online]. 2010d [cit. 2012-06-30]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docgener/presenta/errors2011/analysis\\_errors201\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/presenta/errors2011/analysis_errors201_en.pdf).



## 2.2 The legal framework and objectives of the EU Cohesion Policy

### 2.2.1 Legislative proposals for future of the EU Cohesion Policy

The legislative framework of the EU Cohesion Policy 2014 – 2020 is based on the primary law, i.e. *the Lisbon Treaty* (the Treaty on European Union and the Treaty on the Functioning of the European Union). The economic, social and territorial cohesion is dedicated in the Title XVIII, Article 174 – 178 of this Treaty.<sup>24</sup> In October 2011, the European Commission published a **draft legislative package** for the cohesion policy in the period 2014 – 2020 which means a change of this policy. The future cohesion policy will be focused on:<sup>25</sup>

- The Europe 2020 Strategy and its targets,
- rewarding of performance,
- supporting of integrated programming,
- results – monitoring progress towards agreed objectives,
- reinforcing of territorial cohesion,
- simplifying of implementation.

The European Commission proposes the EU Cohesion Policy 2014 – 2020 to focus on targets set out in the Europe 2020 Strategy. In accordance with this Strategy, the list of thematic objectives that will be supported by EU Funds has been created. Rewarding of performance scheme is designed to improve performance and results which are based on the fulfilment of certain conditions. Fulfilment of these conditions will bring extra financial resources. Promoting of integrated approach is based on possibility of financing options of a programme by more EU Funds, but also the involvement of local authorities and communities in the implementation of local development. Focus on results means that an emphasis will be placed to meet objectives through Operational Programmes. To meet the specific objectives of Operational Programmes can assist so-called *Joint Action Plan (JAP)*. Reinforcing of territorial cohesion is promoted in the EU primary law by creation of

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<sup>24</sup> EUROPEAN COMMISSION. *Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union* [online]. 2010c [cit. 2012-06-26]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:083:FULL:EN:PDF>.

<sup>25</sup> EUROPEAN COMMISSION. *Cohesion Policy 2014 - 2020: Investing in growth and jobs* [online]. 2011c [cit. 2012-07-09]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation2014\\_leafl\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation2014_leafl_en.pdf).

separate objective and cooperation between EU Member States and their regions. The EU wants to focus on balanced development of economic activities across all regions (including urban, rural, coastal and peripheral areas). Simplification of implementation lays in harmonization of rules for all funds, reducing the administrative burden for beneficiaries, more flexibility in the set-up of the Operational Programmes according to the *Partnership Contracts (PC)*, establishment of clearer rules, simplification of the *European territorial cooperation (ETC)* and the *European Social Fund (ESF)*.

**The secondary law for the future of cohesion policy contains six regulations:**

- Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006 (hereinafter General Regulation),
- three specific regulations for the ERDF, the ESF and the Cohesion Fund,<sup>26</sup>
- two regulations on the European Territorial Cooperation goal and the European Grouping of Territorial Cooperation.<sup>27</sup>

The first part of *the General Regulation* applies for all the EU Funds and discusses the principles of the EU Cohesion Policy 2014 – 2020. The general principles establish that EU Funds provide an additional support at national, regional and local level in close cooperation between the European Commission and the EU Member States supplemented by other financial instruments to meet the Europe 2020 Strategy targets. The European Commission and the EU Member States ensure coordination between the EU Funds, politics and tools of the EU, provide the effectiveness of the EU Funds through reporting, monitoring, evaluation and are designed to reduce the administrative burden for

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<sup>26</sup> Regulation of the European Parliament and of the Council on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006, Regulation of the European parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006, Regulation of the European Parliament and of the Council on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006.

<sup>27</sup> Regulation of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal and repealing Regulation (EC) No 1080/2006, Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and implementation of such groupings.

beneficiaries in accordance with the proportionality principle.<sup>28</sup> The member states and their subordinates have full responsibility for implementation of Operational Programmes and tasks in accordance with the General Regulation. The principle of partnership and multi-level governance says that Member States must establish cooperation with their regional and local institutions, economic and social partners and civil society actors.<sup>29</sup> Next principles ensure a compliance with Union and national law, promotion of gender equality between men and women and non-discrimination and sustainable development.<sup>30</sup>

The main task of the future cohesion policy is to contribute to meet the Europe 2020 Strategy targets. Therefore, the **thematic objectives** which are translated into priorities specific for each EU Fund were set out:<sup>31</sup>

- 1) *Research and innovation,*
- 2) *Information and Communication Technologies (ICT),*
- 3) *Competitiveness of Small and Medium-sized Enterprises (SMEs),*
- 4) *Shift towards a low-carbon economy,*
- 5) *Climate change adaptation and risk prevention and management,*
- 6) *Environmental protection and resource efficiency,*
- 7) *Sustainable transport and removing bottlenecks in key network infrastructures,*
- 8) *Employment and support for labour mobility,*
- 9) *Social inclusion and combating poverty,*
- 10) *Education, skills and lifelong learning,*
- 11) *Institutional capacity building and efficient public administrations.*

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<sup>28</sup> Under this rule, the involvement of the institutions must be limited to what is necessary to achieve the objectives of the Treaty.

<sup>29</sup> Citizen organizations on a voluntary basis (environmental protection, non-governmental organizations institutions promoting equality and non-discrimination, etc.).

<sup>30</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006* [online]. 2011f [cit. 2012-07-09]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0615:FIN:EN:PDF>.

<sup>31</sup> EUROPEAN COMMISSION. *Panorama No 40. Cohesion Policy 2014-2020: Investing in Europe's regions* [online]. 2011e, p. 5. [cit. 2012-07-10]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docgener/panorama/pdf/mag40/mag40\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/panorama/pdf/mag40/mag40_en.pdf).

The European Commission has formulated *the Common Strategic Framework (CSF)* to ensure the implementation of the EU Cohesion Policy at the highest level which should reinforce the coherence between political commitments in the Europe 2020 Strategy and cohesion policy investments. Following the Common Strategic Framework, every member state has to create *the Partnership Contract* on the principle of partnership and multi-level governance within three months which covers all EU Funds support for that Member State. The Partnership Contract represents the main implementation document at a national level which analyses current situation of the country and describes needs of the EU Cohesion Policy aid. It displays a proposal on national cohesion policy strategy and Operational Programmes including proposed financial allocation of funds.

To ensure the objectives set out in Europe 2020 Strategy and in the Partnership Contract between the Member States and the European Commission, new conditionality provisions are introduced to get support from the EU Funds:<sup>32</sup>

- **Ex-ante conditionality** – proposes conditions that member states must meet before the beginning of programming period to ensure effective funds support. Some conditions are directly related to the thematic objectives, while others apply horizontally;
- **Ex-post conditionality** – works as an incentive for achieving the objectives set in Partnership Contracts. The performance reserve represent a total of 5 % of the national allocation of each EU Fund which will be set aside and allocated, during a midterm review, to the EU Member States for the Operational Programmes that have fully met their milestones. However, failure to achieve milestones may lead to suspension of funding for this programme or even to its cancellation.

**Economic stability of the EU Member States** is also important to ensure efficient use of the EU Cohesion Policy. If the state does not take sufficient steps for macroeconomic stability, the European Commission should have the right to suspend all or part of the payments and commitments. The funds will be available again to the Member State as soon as the Member State takes the necessary action. If the Member State is receiving financial assistance through the European Stability Mechanism (ESM), it is possible to increase support by ten percentage points.<sup>33</sup>

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<sup>32</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

<sup>33</sup> Ibidem.

### 2.2.2. Goals and geographical coverage of structural aid

The European Commission presented the new typology of goals and regions which will be able to draw the EU Funds support in the new programming period. The thematic objectives are consistent with targets of the Europe 2020 Strategy and with the Lisbon Treaty, Article 174. All of the EU regions will contribute to the achievement to objectives. For this purpose, two goals have been created:<sup>34</sup>

- **Investment for growth and jobs** – in the EU Member States and regions will be supported by all the EU Funds,
- **European territorial cooperation** – will be supported just by the European Regional Development Fund.

The concentration of the EU Funds is dependent on the level of economic development measured by Gross Domestic Product (GDP) per capita converted in purchasing power parity in relation to the EU-27 average for the period 2006 to 2008 of each region. The Enclosure 2 offers a possible shape of categories of regions for the use of the EU Funds.

Resources for *the Investment for growth and jobs goal* will be allocated among the following three categories of NUTS 2<sup>35</sup> regions:<sup>36</sup>

- **Less developed regions** – GDP per capita is less than 75 % of the average GDP of the EU-27, their co-financing rate is set up at 80 – 85 %;
- **Transition regions** – GDP per capita is between 75 % and 90 % of the average GDP of the EU-27, the co-financing rate will be 60 %;
- **More developed regions** – GDP per capita is above 90 % of the average GDP of the EU-27, they will have the co-financing rate of 50 %.

*„The Cohesion Fund support those member states whose gross national income (GNI) per capita, measured in purchasing power parities and calculated on the basis of Union figures for the period 2007 to 2009, is less than 90 % of the average GNI per capita of the EU-27 for the same reference period.“<sup>37</sup>* In support of employment, the European Social Fund has to participate in the development of each region category as follows:<sup>38</sup>

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<sup>34</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

<sup>35</sup> The European Statistical Office (EUROSTAT) for this purpose created a category of NUTS (from French *Nomenclature des Unites Territoriales Statistique*) regions to help to track their progress and according to it allocate assistance from the EU Funds.

<sup>36</sup> EUROPEAN COMMISSION [online], 2011e, ref. 31.

<sup>37</sup> EUROPEAN COMMISSION [online], 2011f, p. 84, ref. 30.

<sup>38</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

- **Less developed regions** – at least 25 % from total allocation,
- **Transition regions** – at least 40 % from total allocation,
- **More developed regions** – at least 52 % from total allocation.

The *European territorial cooperation goal* supports the implementation of joint actions among national, regional and local actors from different member states. This goal was created in response to regional issues that cross national or regional borders and require joint and cooperative action at the appropriate territorial level, and thus contributes significantly to the new objective of the Lisbon Treaty, i.e. to territorial cohesion. The European territorial cooperation goal is funded only by the European Regional Development Fund, as the Table 2.2 shows.

**Table 2.2: Goals and EU Funds for the future EU Cohesion Policy 2014 – 2020**

Objective	Category of region	Structural fund		
Investment for growth and jobs	Less developed regions	ERDF	ESF	CF
	Transition regions	ERDF	ESF	CF
	More developed regions	ERDF	ESF	
European territorial cooperation		ERDF		

Source: EUROPEAN COMMISSION [online], 2011f; own elaboration, 2012

The European territorial cooperation goal includes a cross-border, transnational and interregional cooperation. The aim of the **cross-border cooperation** (CBC) deals with common challenges identified jointly in the border regions (such as poor accessibility, inappropriate business environment, environmental pollution, negative attitudes towards neighbouring country citizens) and exploits the untapped potentials in the border area (development of cross-border research and innovation facilities and clusters, cross-border labour market integration), while enhancing the cooperation process for the purpose of the overall harmonious development of the Union. The aim of the **transnational cooperation** should strengthen cooperation through actions leading to integrated territorial development linked to the EU Cohesion Policy priorities. The aim of the **interregional cooperation** should help to reinforce the effectiveness of cohesion policy by encouraging exchange of experiences between regions to enhance design and implementation of Operational Programmes under the Investment for growth and jobs goal. It should foster a cooperation

between innovative research-intensive clusters and exchanges between researchers and research institutions.<sup>39</sup>

For cross-border cooperation, the supported regions shall be the NUTS 3 regions of the EU along all internal and external land borders other than those covered by Operational Programmes under the external financial instruments of the EU, and all NUTS 3 regions along maritime borders separated by a maximum of 150 km. The cross-border cooperation programmes may also include regions of Norway, Switzerland, Liechtenstein, Andorra, Monaco, San Marino and territories neighbouring outermost regions. For transnational cooperation, the Commission will adopt the list of transnational areas to receive support, broken down by cooperation programmes and covering NUTS 2 regions while ensuring the continuity of such cooperation in larger coherent areas based on previous programmes, by means of implementing acts. The transnational cooperation programmes may cover regions from third countries such as the cross-border cooperation goal plus territories of the Faroe Islands and Greenland. Support for interregional cooperation cover the entire territory of the EU.<sup>40</sup>

### **2.3 Instruments of the EU Cohesion Policy 2014 – 2020**

The EU Funds are the core of implementation of the EU Cohesion Policy and they are indispensable for reducing economic and social disparities among the EU Member States and their regions. They represent financial instruments with set out clear rules for their use in solving problems of the regions or thematic policies. The EU Cohesion Policy Funds for the programming period 2014 – 2020 consist of:

- Structural Funds – the European Regional Development Fund (ERDF) and the European Social Fund (ESF),
- the Cohesion Fund (CF),
- special support instruments – Jeremie, Jessica, Jaspers and Jasmine,
- the Instrument for Pre-accession Assistance (IPA).

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<sup>39</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal* [online]. 2011h [cit. 2012-07-14]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/etc/etc\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/etc/etc_proposal_en.pdf).

<sup>40</sup> EUROPEAN COMMISSION [online], 2011h, ref. 39.

For the *Investment for growth and jobs goal*, the EU Structural Funds and the Cohesion Fund have established the system of indicators for each thematic objective that must be met by 2022 on the base of the Partnership Contract between the EU Member States and the European Commission. For common indicators and for program-specific output indicators, baselines shall be set at zero and cumulative targets shall be fixed for 2022. For program-specific result indicators, baselines shall use the latest available data and targets should be fixed for 2022, but may be expressed in quantitative or qualitative terms.<sup>41</sup> The following text will describe three EU Funds (the European Regional Development Fund, the European Social Fund and the Cohesion Fund).

### **2.3.1. The European Regional Development Fund after 2013**

The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances among its regions. The main purpose of the ERDF is to promote structural adjustment of lagging regions and of declining industrial regions, to develop the least favoured regions, including rural and urban areas, areas with severe and permanent natural and demographic handicaps, such as islands, mountainous areas, sparsely populated areas and border regions. The ERDF will support regional and local development by co-financing investments in research and development (R&D) and innovation, climate change and environment, sustainable jobs and business support to small and medium-sized enterprises (SMEs), services of common economic interest, telecommunication, energy and transport infrastructures, health, education and social infrastructures and sustainable urban development. In more developed regions, the ERDF will not support investments in infrastructure providing basic services to citizens in the areas of environment, transport, and information and communication technologies (ICT).<sup>42</sup>

The ERDF will support all thematic objectives set out in the General Regulation. In More developed regions and Transition regions, at least 80 % of the total ERDF resources at national level need to be allocated to the research and innovation objective, the competitiveness of small and medium-sized enterprises objective and at least 20 % of the total ERDF resources shall be shifted towards a low-carbon economy objective. In Less

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<sup>41</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

<sup>42</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006* [online]. 2011g [cit. 2012-07-17]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/erdf/erdf\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/erdf/erdf_proposal_en.pdf).



developed regions, at least 50 % of the total ERDF resources at national level must be allocated to research and innovation objective, competitiveness of small and medium-sized enterprises objective and at least 6 % of the total ERDF resources shall be shifted towards a low-carbon economy objective. The remaining resources can be divided among all other thematic objectives. The ERDF shall support, within Operational Programmes, sustainable urban development and at least 5 % of the ERDF resources at national level will be allocated to integrated actions for sustainable urban development. Every EU Member State has to establish in its Partnership Contract a list of cities in accordance to given criteria where integrated actions for this measure should be implemented and an indicative annual allocation for these actions at national level, but with a maximum number of 20 cities per every member state. Then the Commission will establish platform to promote capacity-building and networking among cities and exchange of experience on urban policy at Union level. The ERDF shall focus on areas with natural or demographic handicaps and outermost regions.<sup>43</sup>

As mentioned above, investments under the European territorial cooperation goal can be co-financed only by ERDF. The cross-border cooperation and the transnational cooperation programmes can concentrate on up to four thematic objectives to solve their local problems. The international cooperation programmes can target on all the thematic objectives. In the European territorial cooperation goal, the ERDF will focus on investments in integrating cross-border labour markets, cross-border mobility, joint local employment initiatives and joint training, promoting gender equality, social inclusion and equal opportunities across borders, developing and implementing joint education and training schemes, promoting legal and administrative cooperation and cooperation between citizens and institutions under the cross-border cooperation. Under transnational cooperation, the ERDF supports the investment priorities within development and implementation of macro-regional and sea basin strategies.<sup>44</sup>

### **2.3.2. The European Social Fund after 2013**

The task for ESF is to foster *„high levels of employment and job quality, support the geographical and occupational mobility of workers, facilitate their adaptation to change, encourage a high level of education and training, promote gender equality, equal opportunities and non-discrimination, enhance social inclusion and combat poverty,*

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<sup>43</sup> EUROPEAN COMMISSION [online], 2011g, ref. 42.

<sup>44</sup> EUROPEAN COMMISSION [online], 2011h, ref. 39.

*thereby contributing to the priorities of the European Union as regards strengthening economic, social and territorial cohesion.*“<sup>45</sup> The ESF will encourage the thematic objectives as employment and promote for labour mobility, social inclusion and combating poverty, education, skills and lifelong learning and institutional capacity building and efficient public administrations as it shows Enclosure 3. In addition, the ESF will also contribute to other thematic objectives.

This regulation also determines that every member state has to ensure the coherence and focus of strategies and programmes, to solve challenges, with the National Reform Programmes and in the recommendations of the Council to achieve Europe 2020 Strategy targets. It is stipulated that 20 % of ESF funding has to be allocated to the thematic objective to enhance **social inclusion** and **combat with poverty**. The EU Member States shall pursue thematic concentration according to the following modalities:<sup>46</sup>

- for More developed regions, the member states shall concentrate 80 % of the ESF allocation to each Operational Programme on up to four of the investment priorities,
- for Transition regions, the member states shall concentrate 70 % of the ESF allocation to each Operational Programme on up to four of the investment priorities,
- for Less developed regions, the member states shall concentrate 60 % of the ESF allocation to each Operational Programme on up to four of the investment priorities.

### **2.3.3 The Cohesion Fund after 2013**

The Cohesion Fund is the additional financial instrument of the EU Cohesion Policy to support developing countries. It contributes to investments in the **environment**, including areas related to sustainable development and energy which present environmental benefits, **trans-european networks** in the area of transport infrastructure and technical assistance. It promotes the thematic objectives as the shift towards a low-carbon economy, climate change adaptation, risk prevention and management, protecting the environment and

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<sup>45</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006* [online]. 2011i, p.10. [cit. 2012-07-18]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/esf/esf\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/esf/esf_proposal_en.pdf).

<sup>46</sup> Ibidem.

resource efficiency, sustainable transport and removing bottlenecks in key network infrastructures and strengthening of institutional capacity and the efficiency of public administrations and public services related to implementation of the Cohesion Fund.<sup>47</sup>

#### **2.3.4. Financial instruments after 2013**

Financial instruments will constitute an **alternative to the traditional forms of financing**. An ex-ante assessment revealed several problem areas and investment needs which will be focused on. Financial instruments will target economically beneficial projects and investments through loans, guarantees, and various kinds of subsidies, capital and other types of financial assistance. The EU Member States will be able to use them within all programmes to achieve their specific objectives and priorities. They will serve only as a complement to a solution in cases of market failure or adverse investment situation. Their task will be to set in motion investment in regions, provided undistorted competition in *the EU Single Market*. To achieve their objectives, these financial instruments have their own characteristics and also the amounts that will achieve at least size of the Union contribution. These financial instruments have in each programme their own priority axis, whose co-financing rate can reach up to 100 %. The managing authorities can support financial instruments set up at EU level, but also those that will be set up on intrastate, regional, cross-border or transnational level. They also may govern the financial instruments through other legal entity, they may entrust it to *the European Investment Bank (EIB)* or other international financial institution, or they can manage them by themselves. The financial instruments income can be refinanced. Final beneficiaries may also receive support in the form of grants or other forms of assistance, but it must be registered separately.<sup>48</sup>

#### **2.3.5 Instrument for Pre-accession Assistance after 2013**

The Instrument for Pre-accession Assistance was established as a part of the EU Enlargement Policy for the programming period 2007 – 2013 and due to its successful implementation, the European Commission wants to extend its effectiveness to the future

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<sup>47</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006* [online]. 2011j [cit. 2012-07-20]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/cohesion/cohesion\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/cohesion/cohesion_proposal_en.pdf).

<sup>48</sup> EUROPEAN COMMISSION. *Regulation (EU, EURATOM) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, EURATOM) No 1605/2002* [online]. 2012g [cit. 2012-12-08]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:298:0001:0096:EN:PDF>.

programming period. The task of this tool is to assist developing countries that have ambitions to become the EU Member States in the future. The aim is to stabilize **the candidate and potential candidate countries**<sup>49</sup> and coordinate their functioning with the functioning of the EU. The EC wants to continue to offer its technical and financial assistance to these countries to overcome their backwardness, engage in competitive mode of the EU countries and develop a sustainable manner. Therefore, the European Commission published in 2011 proposal for a regulation on the Instrument for Pre-accession Assistance II whose functions would be consistent with the Europe 2020 Strategy targets.

The aim of IPA II, as in the current period, is to support countries in *„implementing the political, institutional, legal, administrative, social and economic reforms required to bring the countries closer to Union values and to progressively align to Union rules, standards, policies and practices with a view to Union membership.”*<sup>50</sup> Assistance from the IPA II will focus on the specific objectives of each country in areas of political reforms, economic, social and territorial development, strengthening the capacity of countries to progressive alignment its national legislation with the *acquis communautaire* and regional development and territorial cooperation with the EU Member States. Progress towards achievement of the specific objectives will be assessed through indicators. The EC prepares the IPA II Common Strategic Framework, which creates the top level common conditions for the possibility of drawing funds for beneficiary countries. Assistance is awarded on the basis of strategic documents that exist between the Commission and each beneficiary country. According to these documents, combination of areas will then be determined, that receive financial assistance in order to reflect needs and priorities of each country. The EU Member States may use their funds from the ERDF to programmes for cross-border cooperation among them and beneficiary countries. Likewise, the non-EU countries may use the IPA II for cross-border, transnational and interregional cooperation programmes or measures. The European Commission plans to allocate the amount of more than EUR 14.1 billion for IPA II for the period 2014 – 2020. Up to 3 % of this amount will be allocated to the cross-border cooperation programmes. The amount of EUR 1.812

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<sup>49</sup> Albania, Bosnia and Herzegovina, Iceland, Kosovo, Montenegro, Serbia, Turkey, The former Yugoslav Republic of Macedonia.

<sup>50</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European parliament and of the Council on the Instrument for Pre-accession Assistance (IPA II)* [online]. 2011o [cit. 2012-12-25]. Available from: [http://ec.europa.eu/europeaid/how/finance/documents/prop\\_reg\\_instrument\\_pre-accession\\_assistance\\_en.pdf](http://ec.europa.eu/europeaid/how/finance/documents/prop_reg_instrument_pre-accession_assistance_en.pdf).

billion, which should promote international dimension of higher education, will come from a variety of external instruments, among which ranks the IPA.<sup>51</sup>

### 2.3.6 Other instruments

The European Commission proposes to support regional development through other instruments outside the main line of the EU Structural Funds and the Cohesion Fund in the period 2014 – 2020. One of them should be *the Connecting Europe Facility (CEF)*, whose task is to provide assistance to investment projects in the field of trans-european networks for transport, energy and telecommunication technologies. Connecting Europe in these areas is essential for the completion of the EU internal market which is also in line with the Europe 2020 Strategy. In the field of transport, this instrument will aim to promote removing of bottlenecks and bridging missing links, ensuring sustainable transport and interconnecting of transport modes. In the energy sector, it will support projects focusing on completing of the EU internal market in this field and the development of cross-border networks, security of supply for the EU Member States and to support the integration of energy from renewable resources into the transmission network. Telecommunications area includes the deployment of fast and ultrafast broadband networks and promotes the interconnection of national online services. The European Commission originally proposed a budget in amount of EUR 50 billion, but this amount was in negotiations reduced. The CEF budget will dispose almost of the amount EUR 30 billion, including of EUR 10 billion from the Cohesion Fund for the transport sector, as shows the Table 2.3. The European Commission wants to obtain financial sources for these investments by the introduction of a new financial instrument, called as the project bonds, to help the EIB aimed at financing projects from the private sector and support financial market.<sup>52</sup>

**Table 2.3: The Connecting Europe Facility budget distribution among the sectors**

Sector	Amount (EUR)
Transport	23,174,000,000
Energy	5,126,000,000
Telecommunications	1,000,000,000
<b>Total</b>	<b>29,300,000,000</b>

Source: COUNCIL OF THE EUROPEAN UNION [online] 2013; own elaboration, 2013

<sup>51</sup> EUROPEAN COMMISSION [online], 2011o, ref. 50.

<sup>52</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility* [online]. 2011 [cit. 2012-08-22]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0665:FIN:EN:PDF>.

*The European Globalization Adjustment Fund (EGF)* is another instrument for the future EU Cohesion Policy 2014 – 2020, which aims to „contribute to economic growth and employment in the Union by enabling the Union to show solidarity towards workers made redundant as a result of major structural changes in world trade patterns due to globalization, trade agreements affecting agriculture, or an unexpected crisis, and to provide financial support for their rapid reintegration into employment, or for changing or adjusting their agricultural activities.“<sup>53</sup> Getting assistance from the EGF is subjected to fulfilment of certain conditions and the application for assistance may submit only a member state but the conditions may be waived in the case of small labour markets or in exceptional circumstances. The funding from EGF can be used only for active labour market measures. In no case shall the EGF to replace passive social protection measures. After submission of the application by the EU Member States, the European Commission assess and decides on the amount of allotted contribution which may not exceed 50 % of the estimated costs, respectively 65 % for those states that have at least one NUTS 2 region in the Convergence objective. The EGF is a special instrument not included in *the Multiannual financial framework (MFF)* and it was proposed with amount of EUR 3 billion for the whole period 2014 – 2020, while the amount in support of the agricultural sector shall not exceed EUR 2.5 billion and a maximum annual amount cannot exceed EUR 429 million.<sup>54</sup>

In recent decades the EU Member States have been facing with high unemployment rates, pressure on social protection systems and labour market problems which are caused by the growth of globalization and technological progress, demographics and also financial and economic crisis. For these reasons, the European Commission proposes for the period 2014 – 2020 to create *the European Union Programme for Social Change and Innovation*. The general task of this programme will contribute to employment growth, ensuring social protection, support social inclusion and improving working conditions by creating of specific and coordinated actions at both Union and its member states level, support the development of adequate, accessible and efficient social protection systems and labour markets and facilitate policy reform, modernize Union law, promote geographical mobility

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<sup>53</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014 - 2020)* [online]. 2011m, p. 13. [cit. 2012-08-22]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/egf/egf\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/egf/egf_proposal_en.pdf).

<sup>54</sup> Ibidem.

of workers by increasing the availability and accessibility of microfinance. This is actually a programme in line with Europe 2020 Strategy. The Programme consists of three existing instruments, which create its axes. It is *the Progress programme*, *EURES* and *European Progress Microfinance Facility*. The Progress programme axis aims to contribute to the coordination of EU policies in the area of employment and social affairs through analytical work, sharing information about the issue among the EU Member States and providing financial support. The task of the EURES axis is to provide services in exchange and dissemination of information to promote workers geographical mobility. The European Progress Microfinance Facility will facilitate access to microcredit (loans up to EUR 25,000) to micro-enterprises<sup>55</sup>, a social enterprises<sup>56</sup> and vulnerable groups. This programme is unique in the possibility of participation of the non-member states of the EU. In the Progress axis can also participate *European Economic Area (EEA)*<sup>57</sup> and *European Free Trade Area (EFTA)*<sup>58</sup> Member Countries and the candidate countries and potential candidates. Participation in the EURES<sup>59</sup> axis will be open to the EU Member States and EEA and EFTA Member Countries. The European Progress Microfinance Facility axis is only for the EU Member States.<sup>60</sup>

*The Solidarity Fund (SF)* is the last instrument of future EU Cohesion Policy. This fund is still in negotiation phase of the European institutions therefore it has had no draft form of regulation yet. In the period 2014 – 2020 the Solidarity Fund should become more effective in response to disasters in different parts of the EU and its new improvements should provide clarification of its implementation. The European Commission wants to propose changes in order to increase efficiency and simplify the Solidarity Fund, without touching its system and volume of finances. The new propose of Solidarity Fund for the period 2014 – 2020 should clearly set out that its assistance applies to disasters having only

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<sup>55</sup> Micro-enterprise means an enterprise that employs less than 10 people, including self-employed people, and those whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

<sup>56</sup> Social enterprise means an enterprise whose primary objective is to achieve social impact rather than generate profit for owners and stakeholders to achieve social goals.

<sup>57</sup> The European Economic Area (EEA) includes countries of EU and Iceland, Liechtenstein and Norway.

<sup>58</sup> The European Free Trade Area (EFTA) includes countries of Iceland, Liechtenstein, Norway and Switzerland.

<sup>59</sup> The purpose of EURES, set up in 1993, is to provide information, advice and recruitment/placement services for the benefit of workers and employers as well as any citizens wishing to benefit from the principle of the free movement of people.

<sup>60</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European parliament and of the Council on a European Union Programme for Social Change and Innovation* [online]. 2011n [cit. 2012-08-22]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/sci/sci\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/sci/sci_proposal_en.pdf).

a natural cause, however not exclude following industrial or public health disasters. The Solidarity Fund should apply to EU Member States and also the candidate countries. Newly it should also define the concept of regional disasters, which ought to be supported by hard indicators. Therefore the European Commission proposes to delimit regional disaster by threshold of percentage rate of regional GDP at NUTS 2. In the area of funding they have to lead to changes in the simplicity and speed of obtaining assistance in affected countries and regions in the form of advance payments. Financial aid should be paid in advance after the affected country has applied for assistance, but upon specific request of the applicant state only „*the amount of the advance could be calculated as a percentage rate (e.g. 10 %) of the expected grant and be limited in absolute terms (e.g. to EUR 5 million)*“<sup>61</sup>. The changes should also occur in the area of slowly unfolding disasters as a response to the first sign of damage and not the administrative procedure. Other changes should take place in the approval procedures in the European institutions or the precautionary steps to prevent the disaster or its consequences in the EU Member States. The original budget of the Solidarity Fund should have the amount of EUR 7 billion and budget ceiling for each year should have had EUR 1 billion. However, the Solidarity Fund budget will be lower after changes in the MFF.

## **2.4. Financial framework for the EU Cohesion Policy 2014 – 2020**

The European Union works with its own budget which represents the main tool for development of integration on the European continent. In 2012, the European Parliament and the Council submitted the amended proposal of the Multiannual financial framework (MFF) for the period 2014 – 2020.<sup>62</sup> It is suggested that the Multiannual financial framework in the amount of 1.08 % EU GNI for commitments appropriations and 1.03 % for payment appropriations from the EU budget. Other possible expenditures outside the Multiannual financial framework are expected in the amount of 0.06 % (this includes funding for further EU funds and programmes, crisis management and incidents). Thus the

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<sup>61</sup> EUROPEAN COMMISSION. *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The Future of the European Union Solidarity Fund* [online]. 2011a, p.11. [cit. 2012-08-23]. Available from: [http://eur-ec.europa.eu/regional\\_policy/sources/docoffic/official/communic/solidarity\\_future/com\\_2011613\\_en.pdf](http://eur-ec.europa.eu/regional_policy/sources/docoffic/official/communic/solidarity_future/com_2011613_en.pdf).

<sup>62</sup> The MFF had to be changed due to accession of Croatia to the EU in 2013.



total expected budget for the period 2014 – 2020 will be up to 1.14 % of EU GNI. Overall, the EU should work with a budget in the amount of 1,033 billion in 2014 – 2020.<sup>63</sup>

The General Proposal 2012 also lays down that the total appropriations allocated to each member state cannot be transferred between different categories of regions.<sup>64</sup> The EU Cohesion Policy budget must be guided by the principle of additionality which means that the support from the EU Funds for the Investment for growth and jobs goal must not replace public or equivalent structural expenditure by a member state.

Under the General Proposal 2012, the EU Cohesion Policy gains almost 33 % of the EU budget under the Multiannual financial framework 2014 – 2020, which represents more than **EUR 379 billion**. Resources for the Investment for growth and jobs goal shall amount to 96.5 % of the resources for EU Cohesion Policy (i.e., a total of EUR 327,115,655,850) and will be allocated as follows:<sup>65</sup>

- 48.25 % (i.e., a total of EUR 163,560,715,122) for Less developed regions,
- 10.76 % (i.e., a total of EUR 36,471,144,190) for Transition regions,
- 16.35 % (i.e., a total of EUR 55,419,403,116) for More developed regions,
- 20.87 % (i.e., a total of EUR 70,739,863,599) for EU Member States supported by the Cohesion Fund,
- 0.27 % (i.e., a total of EUR 924,529,823) as additional funding for the outermost regions (NUTS 2 regions in Austria, Finland and Sweden).

*„All regions whose GDP per capita for the 2007 – 2013 period was less than 75 % of the average of the EU-25 for the reference period but whose GDP per capita is above 75 % of the GDP average of the EU-27 shall receive an allocation under the Structural Funds equal to at least two thirds of their 2007 – 2013 allocation.“<sup>66</sup>*

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<sup>63</sup> EUROPEAN COMMISSION. *Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2014 – 2020* [online]. 2012a [cit. 2013-02-16]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0388:FIN:EN:PDF>

<sup>64</sup> Only with proper a justification, a member state may propose the transfer up to 2 % of the funds intended for the one category of region to another category in the Partnership Contract.

<sup>65</sup> EUROPEAN COMMISSION. *Amended proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006* [online]. 2012b [cit. 2013-02-16]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0496:FIN:EN:PDF>.

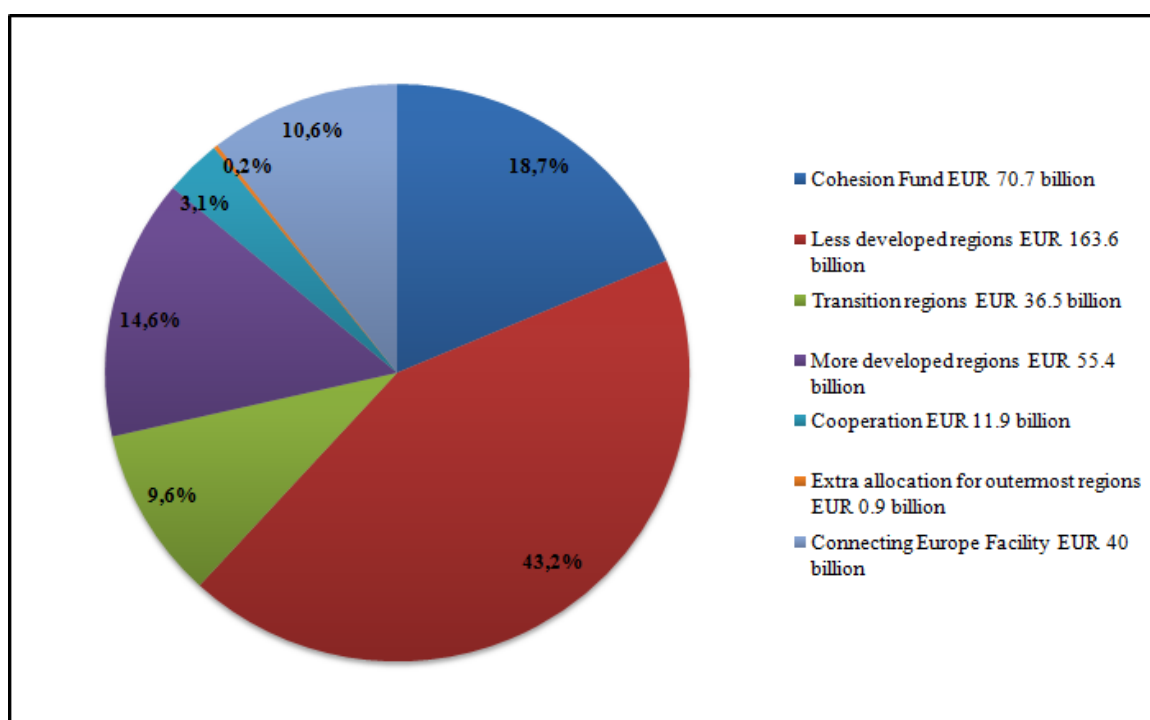
<sup>66</sup> Ibidem., p. 77.

The General Proposal introduces the key for distribution of funds in the EU Cohesion Policy as the following criteria:<sup>67</sup>

- „eligible population, regional prosperity, national prosperity and unemployment rate for less developed regions and transition regions,
- eligible population, regional prosperity, unemployment rate, employment rate, educational level and population density for more developed regions,
- population, national prosperity and surface area for the Cohesion Fund.”

The new section of the budget for the EU Cohesion Policy has more than EUR 40 billion for the new *Connecting Europe Facility* which was supplemented by additional EUR 10 billion from the Cohesion Fund. In this case, the Commission will set out the amount to be transferred from each EU Member State Cohesion Fund allocation for the whole period.<sup>68</sup> The amount of 0.2 % of the ERDF resources for the Investment for growth and jobs objective will be allocated in the area of sustainable urban development. The whole structure of the EU budget for Cohesion Policy 2014 – 2020 is shown in the figure 2.1.<sup>69</sup>

**Figure 2.1: The budget for the Cohesion Policy in 2014 – 2020 period (2011 prices)**



Source: EUROPEAN COMMISSION [online], 2012b; own elaboration, 2013

<sup>67</sup> EUROPEAN COMMISSION [online], 2012b, ref. 65.

<sup>68</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

<sup>69</sup> EUROPEAN COMMISSION [online], 2011g, ref. 42.

The European territorial cooperation goal will have the amount of 3.5 % (it is EUR 11.9 billion) of the EU Cohesion Policy budget for programming period 2014 – 2020. For the cross-border cooperation is assigned 73.24 % (i.e., a total of EUR 8.569 billion) of the budget, for transnational cooperation it is 20.78 % (i.e., a total of EUR 2.431 billion) and for interregional cooperation there is left over 5.98 % (i.e., a total of EUR 0.7 billion). The outermost regions will get EUR 50,000,000 from the allocation for interregional cooperation and they must not receive less than 150 % of the ERDF support they received in the current period.<sup>70</sup>

## **2.5 From the Common Strategic Framework to the project**

### **2.5.1 Programming document structure for EU Fund assistance in 2014 – 2020**

The EU shared competences of policy means that EU Member States cooperate in this area with EU institutions in legislative form and in implementation of the policy.<sup>71</sup> The EU Cohesion Policy is an exact example of such coordinated (shared) competences. The EU policies must complement and support each other to reach goals established in the Europe 2020 Strategy. The EU Cohesion Policy implementation and realisation in 2014 – 2020 will be managed by programming documents system forming a skeleton of programming process from the EU level to the local level. The EU level covers the *Common Strategic Framework 2014 – 2020* which transfers the Europe 2020 Strategy objectives into a common implementation and realisation of investments from the European Regional Development Fund, the European Social Fund and the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund in practise. The Common Strategic Framework constitutes a set of rules under which it will manage the entire programming process in the period 2014 – 2020.

The EU Cohesion Policy implementation will ensure the *Partnership Contract* which is submitted by member state to discussion and approval. The Partnership Contract builds a bridge between the EU priorities and priorities of each EU Member State and ensures that an aid from funds will be in accordance with the Common Strategic Framework. The Partnership Contract will also assist to create *Operational Programmes*. The Operational Programmes, written by EU Member States in accordance with the Partnership Contract, present a development strategy and priorities in selected areas of national priorities. The

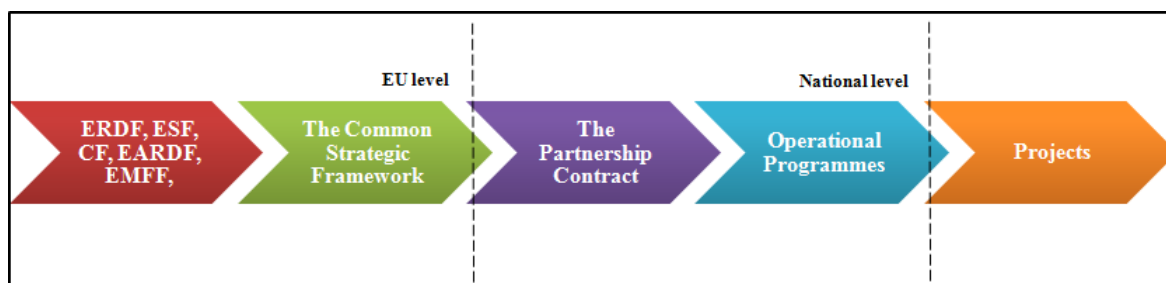
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<sup>70</sup> EUROPEAN COMMISSION [online], 2011h, ref. 39.

<sup>71</sup> EU shared policy entails that the EU Member States exercise their competence to the extent that the Union has not exercised its competence or it has decided to cease exercising its competence.

EU structural aid is realised just by these Operational Programmes which create the basic documents in each thematic objective for its applicant. The programming document structure for the future EU Cohesion Policy is shown in the figure 2.2.

**Figure 2.2: Structure of the programming documents**



Source: Own processing, 2012

### 2.5.2 The Common Strategic Framework

In March 2012, the European Commission presented the elements of *the Common Strategic Framework for 2014 – 2020* which are common for all five funds. The Common Strategic Framework proposal is divided into two parts. The first part establishes the key principles which serve as the basis for programming and realisation of CSF Funds<sup>72</sup>, introduces a form of coordination among the CSF Funds among each other and the CSF Funds and other policies, instruments, including coherence and consistency with the EU economic governance. The second part contains annexes that describe the priority actions of each of the eleven thematic objectives included in the General Regulation and the priorities of the EU Cohesion Policy. The Common Strategic Framework sets the main targets for each of thematic objectives which is necessary to be addressed, promotes the key measures for each of CSF Fund and its corresponding implementation guidelines to ensure efficient and effective use of funds. Each of thematic objectives will be covered more than one CSF Fund.<sup>73</sup> The European Regional Development Fund will focused on all of them, but the European Agricultural Fund for Rural Development will contribute to investment just in nine thematic objectives and rest of CSF Funds will support four thematic objectives how describes the Enclosure 4. The main five headline targets of the Europe 2020 Strategy and the description of current situation in the EU are integrated to the Common Strategic Framework too.

<sup>72</sup> The CSF Funds means the same as the EU Funds.

<sup>73</sup> EUROPEAN COMMISSION. *Commission Staff Working Document: Elements for a Common Strategic Framework 2014 to 2020; the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund* [online]. 2012c [cit. 2012-09-10]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/working/strategic\\_framework/csf\\_part1\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/strategic_framework/csf_part1_en.pdf).

As already mentioned above, the **main task of the Common Strategic Framework** is to convert the Europe 2020 Strategy targets into national targets where those will develop in their national and regional context. The Common Strategic Framework gives instructions how the EU Member States can utilize the CSF Funds in favour of their development objectives introduced in the Partnership Contracts and in the Operational Programmes. The European Commission recommendations, which were endorsed by the June European Council, are very important for the EU Member States to create long-term investment strategies within each thematic objective. These recommendations are based on the reports submitted by Member States every year in the form of National Reform Programmes and Stability<sup>74</sup> and Convergence<sup>75</sup> Programmes. There will be also an option of revising of CSF or the Partnership Contracts in the event of significant changes in the Europe 2020 Strategy. The Common Strategic Framework also adopts mechanisms for reducing the administrative burden for applicants and beneficiaries and greater harmonisation of rules and coordination between CSF Funds. The EU Member States have to ensure close cooperation between all authorities responsible for the implementation and coordination of CSF Funds in the way of creating of common monitoring committees or eGovernance<sup>76</sup>. The CSF Funds can cooperate and complement one another within the same thematic objective or there is even the possibility to create Operational Programmes that will connect more CSF Funds. The Common Strategic Framework coordinates investments from the CSF Funds so that they support best other EU policies directly and indirectly. The EU provides other complementary tools e.g., the Connecting Europe Facility, Horizon 2020, the Erasmus, the Leonardo da Vinci programme, the LIFE programme and many others which should be used in preparation and realisation of the EU Cohesion Policy by member states. The challenges requires cooperation and sharing of knowledge and experience at the appropriate territorial level on both sides of boundaries of the EU Member States and their regions within the *European territorial cooperation goal*.

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<sup>74</sup> The Stability Programmes must prepare EMU Member Countries which specify their mid-term budgetary strategy.

<sup>75</sup> The Convergence Programmes are written by EU Member Countries which are not in EMU also specifying their mid-term budgetary strategy.

<sup>76</sup> EGovernance involves the use of Information and Communication Technologies by the public authorities to provide better services to citizens, businesses and the entire public sector.

### **2.5.3 The Partnership Contract**

Every EU Member State has to work out the Partnership Contract for programming period 2014 – 2020 in cooperation with economic and social partners, bodies representing civil society and partners at appropriate territorial level. Every member state also can ask the European Investment Bank to participate in the preparation of the Partnership Contract as well as in major projects, financial instruments and others. The Partnership Contract presents the highest national programming document inclusive all support from the CSF Funds which must be transmitted to the European Commission for approval within three months of the adoption of the CSF. Then the European Commission will assess a compliance with General Regulation, the actual CSF, country-specific recommendations and recommendations of the European Council which results from previous submitted National Reform Programmes and Stability and Convergence Programmes. The European Commission has to transmit their Partnership Contracts observation within three months and Member State must adjust this Contract adequately.<sup>77</sup>

The Partnership Contract contents should include several areas. Each EU Member State must set a strategy for its development; identify the thematic objectives, a list of programmes and their financial allocations. It has to also mentioned a strategy for integrated approach to territorial development and for the development of regions that are the most affected by poverty. All these must be concluded by a description of implementing measures and effective management of CSF Funds in the future cohesion policy. The European Commission proposes mechanisms to encourage integrated approaches to delivery of CSF Funds. There is the Community-led Local Development mechanism and the Integrated Territorial Investments for the ERDF, the ESF and the Cohesion Fund. The Community-led Local Development mechanism aims to involve actors of public, private and society sector into decision-making and implementing processes. The Partnership Contract should give tasks to these groups. Fulfilment of these tasks will lead to the main objective achievements of the development of individual territories. The Integrated Territorial Investments can be financed from several priority axes of one or more programmes to create one integrated programme for certain territory or functional area. Other mechanism includes integrated operations which can receive

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<sup>77</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

support from one or more CSF Funds or other instruments.<sup>78</sup> The Joint Action Plans are integrated operations in order to achieve pre-agreed objectives between the EU Member State and the European Commission based on the outputs and outcomes. The Joint Action Plan cannot be used to support infrastructure.<sup>79</sup>

The EU Member States have to take into account a horizontal principles and political objectives in their Partnership Contracts. One of them is promotion of equality between men and women and non-discrimination in all processes of preparation, implementation, monitoring and evaluation of actions under all CSF Funds. It should be indicated how the Operational Programmes will contribute to this objective. The managing authorities and monitoring committees will undertake specific evaluation studies or a structured reflection focusing on the application of these objectives. A composition of monitoring committees should be gender-balanced. The EU Member States have to take appropriate measures to prevent any discrimination and propose programmes supporting a combat with discrimination and promoting equal opportunities for all. The sustainable development objective is already mentioned in the General Regulation by the rule that at least 20 % of the EU budget in the period 2014 – 2020 will be allocated to climate change objective. The EU Member States should provide necessary information about amount of expenditure related to climate and biodiversity. The CSF Funds support cannot be used to meet the costs of complying with existing legislation and the member states have to strictly monitor the polluter-pays principle, especially for potentially environmentally harmful investment activities (e.g. infrastructure). The investments co-financed by CSF Funds ought to be resistant to the impact of climate change and natural disasters. „*Support from the EAFRD can be provided to land managers where mandatory environmental requirements create area-specific disadvantages.*“<sup>80</sup> The Common Strategic Framework points to the fact of unusual situation which the EU currently exist in. The member countries face globalisation, demographic change, environmental degradation, migration, climate change and the economic and social consequences of the crisis 2008. Therefore, the EU Member States should consider elements, while creating their Partnership Contracts, such as:<sup>81</sup>

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<sup>78</sup> For example, the support for Operational Programmes from the ERDF and the ESF or from the ERDF or the Horizon 2020 program and so on.

<sup>79</sup> EUROPEAN COMMISSION [online], 2012c, ref. 73.

<sup>80</sup> EUROPEAN COMMISSION [online], 2012c, p. 12, ref. 73.

<sup>81</sup> EUROPEAN COMMISSION [online], 2012c, ref. 73.

- an analysis of the EU Member State or region development potential and capacity,
- an assessment of the major challenges to be addressed by the region or member state,
- a consideration of the major challenges beyond administrative boundaries and national borders,
- a need of improved coordination across different territorial levels and sources of funding,
- a use of an appropriate performance indicators to capture changes for the specific objectives of individual programmes.

#### **2.5.4 Operational Programmes**

The Operational Programmes (OP) are strategic development documents prepared by each member state in co-operation with their strategic partners in accordance with the Common Strategic Framework and the Partnership Contract and it is adopted by the European Commission. Every OP should describe measures to achieve the investment priorities and priorities of the EU for all CSF Funds. The Operational Programmes have to consider main measures which will ensure the greatest impact on growth, employment and sustainability in a specific context of each EU Member State and its regions. Every member state will submit its programmes together with the Partnership Contract to the European Commission. The Operational Programmes included in the European territorial cooperation goal, which are sufficient to deliver within six months of the approval of the Common Strategic Framework, are the exception. The European Commission then assesses the compliance of the Operational Programmes with the General Regulation and other documents (the Partnership Contract etc.) and it will focus mainly on appropriateness of strategic programmes, their specific objectives, indicators and the allocation of budgetary resources. Since then within three months, the European Commission will make observations and the EU Member State will revise the proposed programme. If there are not any proposed modifications of the Operational Programmes, the European Commission approves each programme within six months of their adoption. If any EU Member State wants to change programmes itself, it can only do so in case of legitimate reasons. „*Each programme shall define priorities setting out specific objectives, financial appropriations*



*of support from the CSF Funds and corresponding national co-financing.*”<sup>82</sup> Each priority will set out indicators for assessing progress during the period 2014 – 2020 such as financial indicators, output indicators and result indicators. Each OP, except those which cover technical assistance, should include principles of equality between men and women and non-discrimination, sustainable development and set an indicative amount of support for climate change.

Every Operational Programme consists of priority axes which correspond to a thematic objective containing one or more investment priorities in the case of the ERDF, the ESF and the CF. The priority axes is generally financed by one CSF Fund but CSF Funds can jointly provide support for Operational Programmes under the Investment for growth and jobs goal. It is possible to complement the ERDF and the ESF contributions for each priority axis of the programme a limit of 5 % of Union funding. A form of the Operational Programme content supported from the CSF Funds is described in the Article 87 of the General Regulation. The ERDF and CF may also promote the major projects which can be a part of some Operational Programmes. Major projects are characterised by the amount of cost in excess of EUR 50 million and a different procedure approval. The list of major projects will be submitted by the EU Member State as a part of OP and the Commission will decide on project aid within three months. In case of a positive decision, the European Commission will set conditions under which the project can be financed. The European Investment Bank may be involved in the quality assessment of major projects on request of the European Commission.<sup>83</sup>

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<sup>82</sup> EUROPEAN COMMISSION [online], 2011f, p. 46, ref. 30.

<sup>83</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

### **3. Comparison of the EU Cohesion Policy in programming periods 2007 – 2013 and 2014 – 2020**

#### **3.1 Legislation and principles of the EU Cohesion Policy**

Functioning of the European Union is based on **mid-term planning** which then leads to the Multiannual financial framework (MFF) that has been designed for a period of seven years since 1993. The Multiannual financial framework planning creates a base for the entire agenda of the EU in future. The structure of the budget depends on the priorities that are set in accordance with the EU aims and with the economic situation and the EU position in the world economy. Therefore, there are changes in programming periods in the volume of individual chapter funds of the European budget. These changes also affect the EU Cohesion Policy expenditures. In the period 2007 – 2013 the EU Cohesion Policy formed the second largest expenditure item.<sup>84</sup> But in the period 2014 – 2020 there will be changes not only in focusing on the priorities of the cohesion policy, but also in decreasing its budget and making the EU Cohesion Policy the largest chapter of the MFF.

##### **3.1.1 Changes in the legislative framework of the EU Cohesion Policy**

Position of the EU Cohesion Policy, as it is involved in the process of European integration, plays an important role for several decades. Efforts to reduce regional disparities and strengthening economic and social cohesion are more important thanks to the opening to the EU door to New Member States. The entire European Union is facing globalization pressures for both programming periods and therefore they try to respond to them with even greater integration and cooperation not only among the EU Member States. The EU share competences with the Member States in the Cohesion policy and thus there are the basic elements embedded in primary and secondary legislation within both periods.

The contents and objectives of the strategy have to be always seen in context of the time they arise in. The EU Member States were in a very good macroeconomic condition, characterized by low inflation, deficit reduction; the newly introduced euro helped the holders in prosperity at the beginning of the millennium. However, problems occurred in the labour market and in the education of the European population. Consequently, a strategic form of EU Cohesion Policy for the period 2007 – 2013 was based on the revised *Lisbon Strategy*, which was established in 2000 and should „*stimulate growth and create*

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<sup>84</sup> The largest part of the EU budget for the period 2007 – 2013 absorbs expenditure on the Common agricultural policy (CAP).

*more and better jobs, while making the economy greener and more innovative”*<sup>85</sup>. Failure of the Lisbon Strategy has mainly consisted of a number of diverse objectives and their lack of quantification. Revision result of the strategy, which took place in 2005, was to focus on a smaller number of objectives, such as **increasing Europe attractiveness** for investment, the knowledge economy and research, development and innovation and job creation.

Economic and social cohesion for the period 2007 – 2013 has its roots in the legislative of *the Maastricht Treaty* 1993 Title XVII, Articles 158 – 162. Environmental dimension has been added to the policy of economic and social cohesion by the European Council in Gothenburg in 2001. The revised Lisbon Strategy formed a set of **three pillars of the EU Cohesion Policy**: economic, social and environmental one. To ensure the implementation of cohesion policy had to develop appropriate secondary legislation, which consisted of seven regulations:<sup>86</sup>

- Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999,
- three specific regulations for the ERDF, the ESF and the Cohesion Fund,<sup>87</sup>
- Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund,
- Regulation on a European Grouping of Territorial Cooperation (EGTC) and Regulation establishing an Instrument for Pre-Accession Assistance (IPA).<sup>88</sup>

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<sup>85</sup> EUROPEAN COMMISSION. Lisbon strategy for growth and jobs. *Ec.europa.eu* [online]. 2010 [cit. 2013-01-19]. Available from: [http://ec.europa.eu/archives/growthandjobs\\_2009/index\\_en.htm](http://ec.europa.eu/archives/growthandjobs_2009/index_en.htm).

<sup>86</sup> EUROPEAN COMMISSION. Structural Funds Regulations 2007 – 2013. *Ec.europa.eu* [online]. 2013a [cit. 2013-01-19]. Available from: [http://ec.europa.eu/regional\\_policy/information/legislation/index\\_en.cfm](http://ec.europa.eu/regional_policy/information/legislation/index_en.cfm).

<sup>87</sup> Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999, Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999, Council Regulation (EC) No 1084/2006 of 11 July 2006 establishing a Cohesion Fund and repealing Regulation (EC) No 1164/94.

<sup>88</sup> Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC), Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA).

*The Europe 2020 Strategy* has been created at the beginning of economic recession that completely thwarted efforts of the Lisbon Strategy. Now the EU Member States have to deal with completely new and unexpected facts in the form of **economic crisis**. Europe 2020 Strategy must deal with the persistent problem of the pre-crisis period and a reduction in economic growth of the EU Member States, a sharp rise in unemployment and other aspects related to the economic recession. This strategy is one of many EU strategies to solve economic crisis and establishment of a new period of economic growth. Its task is to find new sources of growth locating predominantly green development, knowledge and innovation economy. Detailed description of the Europe 2020 Strategy is given in the chapter 2.1.2.

In both periods, there must be set out the EU Cohesion Policy in primary legislation. Economic and social cohesion has not undergone significant changes since the Maastricht Treaty. Worth mentioning is perhaps only the fact that *the Treaty of Nice* (2003) introduced in many areas, and thus in cohesion policy, qualified majority voting in the EU Council. *The Lisbon Treaty* (2009) then also brought a change in primary law by adding the **territorial cohesion** to the agenda of economic and social cohesion.<sup>89</sup> Changes in secondary legislation took place in the contents of each regulation which reflects the above-mentioned differences in the Lisbon Strategy and the Europe 2020 Strategy. But areas which are adjusted by EU regulations did not change. Separate legislative acts in the period 2007 – 2013 and 2014 – 2020 apply for the ERDF, the ESF and the CF, as well as for the European territorial cooperation and the European grouping of territorial cooperation. The focus of general regulation has undergone some changes; in the period 2014 – 2020, there will be a common regulation for the above-mentioned EU Funds and also for the EMFF and EFRD which are not part of the EU Cohesion Policy.

### 3.1.2 Principles of the EU Cohesion Policy

The future of the EU Cohesion Policy retains all the principles that guides the current programming period. It is a principle of **complementary, consistency, coordination** between the EU Member states and the European Commission, **compliance** with EU law, the principle of **programming**, principles of **partnership and multilevel governance**, the principle of **sustainable development, gender equality and non-discrimination** and

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<sup>89</sup> Under the concept of territorial cohesion can be thought of supporting geographically disadvantaged regions, efforts to achieve more balanced regional development by reducing existing disparities, avoiding territorial imbalances and by making coherent sectoral policies with a territorial impact and improve integration and strengthen cooperation among regions.

**subsidiary** and **proportionality**. The European Commission wants to ensure better implementation of the future cohesion policy through new measures which are presented in chapter 2.2.1.

### **3.2 Comparison of objectives and geographical coverage of structural aid**

All EU Member States and their regions are entitled to use cohesion policy as a tool to improve their strengths and reduce weaknesses. The EU Cohesion Policy over the years has shown that **significantly contributes to the growth and prosperity** of the EU and its continuation is an important part of the future functioning of the European continent. Before each new programming period, all EU policies go through revisions which serve as a basis for correcting its deficiencies. As mentioned above, the creation of goals and regions was performed under the revised Lisbon Strategy and the Third Report on Economic and Social Cohesion, produced by the European Commission in 2004 and submitted to the European Parliament, the EU Council and other EU institutions.<sup>90</sup> Compared to the period 2000 – 2006, the objectives of cohesion policy in the current period 2007 – 2013 were simplified and reduced to:

- Convergence objective,
- Regional competitiveness and employment objective,
- European territorial cooperation objective.

*The Convergence objective* covers the **least developed NUTS 2 regions** and aims at stimulation their growth and employment as well as to promote adaptability to economic and social changes, innovation and knowledge-based society, to improve quality of the environment and administrative efficiency, etc. The eligibility for funding from the European Regional Development Fund and the European Social Fund under the Convergence objective has NUTS 2 regions, whose Gross Domestic Product (GDP) per capita, measured in purchasing power parities and calculated on the basis of Community figures for the period 2000 to 2002, is less than 75 % of the average GDP of the EU-25 for the same reference period. The eligible EU Member States for funding from the Cohesion Fund are those, whose Gross National Income (GNI) per capita, measured in purchasing power parities and calculated on the basis of Community figures for the period 2001 to 2003, is less than 90 % of the average GNI of the EU-25.<sup>91</sup> Support from the **Structural**

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<sup>90</sup> EUROPEAN COMMISSION [online], 2010c, ref. 24.

<sup>91</sup> EUROPEAN COMMISSION. *Cohesion Policy 2007 – 2013. Commentaries and official texts*. Luxembourg: Office for official publications of the European Communities, 2007. 160 p. ISBN 92-79-03805-2.

**Funds** under the Convergence objective can also obtain the NUTS 2 regions which would have been eligible for this objective if the threshold had remained 75 % of the average GDP of the EU-15 and not the EU-25 (called **phasing-out regions**). The same is true for the EU Member States eligible for funding from the **Cohesion Fund** if the threshold had remained 90 % of the average GDP of the EU-15 and not the EU-25.<sup>92</sup> It follows that the Convergence objective is supported by all three funds (ERDF, ESF and CF).

*The Regional competitiveness and employment objective* target all **NUTS 2 regions** which are not eligible for the Convergence objective and the NUTS 2 regions totally covered by **Objective 1** in the period 2000 – 2006 whose nominal GDP level per capita will exceed 75 % of the average GDP of the EU15 are eligible for financing by the **Structural Funds** under the Regional competitiveness and employment objective (called phasing-in regions). It aims to reinforce the competitiveness, attractiveness and employment of regions and is funded by ERDF and ESF. The Enclosure 5 shows categories of NUTS 2 regions in current period.<sup>93</sup>

*The European territorial cooperation objective* complements two other objectives and its task is to strengthen cooperation at **cross-border, transnational and interregional level**. This objective promotes common solutions for authorities of different countries in the domain of urban, rural and coastal development, setting up of small and medium-sized enterprises, cooperation on research, risk prevention, knowledge-based society, etc. The European territorial cooperation objective is divided into three types of cooperation. **The cross-border cooperation** applies to the **NUTS 3 regions** along all internal and certain external land borders and all NUTS 3 regions along maritime borders separated by a maximum of 150 kilometres. There is a list of thirteen eligible **transnational cooperation** regions and for **interregional cooperation**, all regions of the EU can be engaged. The European territorial cooperation objective is financed only by the ERDF.<sup>94</sup>

**In the preparation of the programming period 2014 – 2020**, the European Commission was tasked to simplify further and streamline the EU Cohesion Policy. Hence, the EC proceeded to reducing the number of goals towards two objectives. The *Investment in growth and jobs goal* gets together the Convergence objective and the Regional competitiveness and employment objective from the period 2007 – 2013 and is common

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<sup>92</sup> EUROPEAN COMMISSION [online], 2007, ref. 91.

<sup>93</sup> Ibidem.

<sup>94</sup> Ibidem.

for all three types of regions. The greatest changes occurred in re-organization of regions. **Categories of regions** were determined on the basis of how their GDP per capita measured in purchasing power parities in 2006 – 2008 relates to the GDP of EU-27. Great simplification also occurred due to cancellation of phasing-out and phasing-in regions and their replacement by simple structure of **Transition regions** which are eligible for the EU Funds if their GDP per capita is between 75 % and 90 % of the average GDP of the EU-27. The *European territorial cooperation goal* remains exactly the same in its focus and scope of eligibility. There are no changes in the coverage of the different types of regions by the EU Funds. The only difference is their internal focus, which corresponds to the current Europe 2020 Strategy. Differences in the relationship among the objectives/goals of the EU Cohesion Policy, eligible regions and EU Funds shows the following Table 3.1.

**Table 3.1: The relation among objectives, regions and funds in the current and future EU cohesion policy**

Period 2007 - 2013			Period 2014 - 2020		
Objective	Region	Fund	Goal	Region	Fund
Convergence	Convergence	ERDF, ESF, CF	Investment in Growth and Jobs	Less Developed	ERDF, ESF, CF
	Phasing-out			Transition	
Regional Competitiveness and Employment	Phasing-in			ERDF, ESF	More Developed
	Regional competitiveness and Employment				
European Territorial Cooperation	Cross-border, Transnational, Interregional	ERDF	European Territorial Cooperation	Cross-border, Transnational, Interregional	ERDF

Source: EUROPEAN COMMISSION [online], 2011c; own elaboration, 2013

### 3.3 Instruments of the EU Cohesion Policy 2007 – 2013 and 2014 – 2020

#### 3.3.1 Changes in the European Regional Development Fund

*The European Regional Development Fund* has been created in 1974 as a basic EU Regional Policy instrument to finance programmes which aims at the development of the most backward regions. Currently, it is one of the most important EU Funds, because it includes the largest number of areas of support. In general, the task of this fund in both programming periods is to reduce the gaps among the levels of development of various regions and the extent to which the least favoured regions, including rural and urban areas, declining industrial regions, areas with severe and permanent geographical, natural and

demographic handicaps, such as islands, mountainous areas, sparsely populated areas and border regions, are lagging behind.<sup>95</sup>

In the period **2007 – 2013**, the assistance of the ERDF concentrates on investments in transport, information and communication and energy infrastructure, education promotion, research, development and innovation in the Convergence objective regions. Furthermore, it supports small and medium-sized enterprises and job creation, protection of environment, tourism development and promotion of culture, etc. However, in the Regional Competitiveness and Employment regions is the ERDF support **limited to more specialized areas** such as innovation and knowledge economy, research, development and technology, entrepreneurship promotion, as well as environmental and renewable energy sources and development of access to transport and telecommunication services. This different approach to various types of regions was selected by the European Commission on the grounds that the more backward regions need to develop their basic infrastructure, functioning of public institutions, education system and restructuring of production and labour market, at first. Regions under the Regional competitiveness and employment objective are already in their economic performance at a higher level and therefore the support from the ERDF aims mainly at innovation, technology and education. This approach will be also followed in the next programming period.

The scope of the ERDF support, even in the programming period **2014 – 2020** focuses on the area of investment in transport, information, communication and energy infrastructure, education promotion, research, development and innovation. Furthermore, it supports small and medium-sized enterprises, environment, tourism development, promotion of culture, etc. All this applies to the less developed and transition regions. The support of investments in the environment, transport infrastructure, communication and information technologies will be excluded from the ERDF funds for more developed regions.<sup>96</sup> However, the change in the period 2014 – 2020 comes in the form of thematic concentration<sup>97</sup> which is closely connected with the fulfilment of Europe 2020 Strategy objectives. The proposal for a Regulation on the ERDF and the Investment in growth and jobs goal clearly sets that there must be used at least 50 % of ERDF spending of the

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<sup>95</sup> EUROPEAN COMMISSION [online], 2011g, ref. 42.

<sup>96</sup> Proposal for a Regulation on the ERDF and the Investment in growth and jobs goal stipulates that the resources from this fund shall not support the production, processing and sale of tobacco and tobacco products, companies in difficulty, the reduction of greenhouse gas emissions or the decommissioning nuclear power plants.

<sup>97</sup> Thematic objectives are presented in chapter 2.2.1.



member state for the thematic objectives of research and innovation, competitiveness of small and medium-sized enterprises in the less development regions. For the goal of shift towards a **low-carbon economy** there must be allocated a minimum of 6 % of this amount in the less development regions. In the more developed regions and transition regions shall be used 80 % of the total ERDF funds for the above-mentioned objectives, but the shift towards a low-carbon economy objective must get at least 20 %. There is a different focus on the needs of the less and more developed regions in the future period. It is also important to recall that ERDF is the **only fund that will be able to finance all investment priorities** set out in Article 9 of the General Regulation in the period 2014 – 2020.<sup>98</sup>

Special adjustment for obtaining funds from the ERDF requires **area of urban development**. In the EU Member States, more than two thirds of the population live in cities and there are also produced more than two thirds of the EU GDP. High population density in cities is a cause of greater visibility of negative phenomena such as unemployment, poverty, etc. In the period 2014 – 2020, there will be ensured the sustainable urban development through the integrated actions to tackle the economic, social and environmental issues which these cities are facing, as well as it is in the period 2007 – 2013. Investments should be made through the single national strategies to focus the funds on specific urban problems. Examples of areas that can be promoted through integrated urban development strategy may strengthen economic growth and employment, the environment and revitalization of industrial sites, cultural and natural heritage, public services and others. Investments should be mainly in low-carbon strategies, urban transport, urban and environmental regeneration of deprived urban areas. For this purpose, each member state shall draw up a list of cities where integrated actions will be implemented. Then this list will be a part of the *Partnership Contract*. Subsequently, the European Commission will choose 300 cities from across the EU, but maximum of 20 cities of each member state that will be involved in urban development platform, which aims to create dialogue and exchange experiences in solving the problem. EU Member States should spend at least 5 % of the total ERDF funds intended for the country in sustainable urban development.<sup>99</sup>

Member States can use also an integrated approach in the period 2014 – 2020. Integrated regional investments combine the possibility of financing the priority axes of the

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<sup>98</sup> EUROPEAN COMMISSION [online], 2011g, ref. 42.

<sup>99</sup> Ibidem.

Operational Programmes from the Structural Funds. The ERDF and the ESF can **co-finance each other** in development project to the amount of up to 5 %. Contrary to the current period, complementary manner of Structural Funds decreased from 10 %, in the Regional competitiveness and employment objective even from 15 %. In the period 2007 – 2013 can be combined assistance between the ERDF and the Cohesion Fund for the Operational Programmes focused on environment or infrastructure.<sup>100</sup> Newly, the ERDF should allocate 0.2 % of the total appropriations for the state to support innovative measures in the context of sustainable urban development. Innovative measures consist of studies, demonstration and pilot projects to address sustainable urban development which can be focused on all thematic objectives.<sup>101</sup>

Special attention is paid to the **outermost regions**, but there are no changes between programming periods. Additional funding from the ERDF for these regions will be spent to support the thematic objectives, the provision of public services and freight services, the activities related to constraints due to natural or demographic conditions. At least 50 % of the additional funds must be spent on thematic objectives 1, 2 and 3.<sup>102</sup>

### **3.3.2 The European Regional Development Fund changes and the European territorial cooperation**

The *European territorial cooperation objective*<sup>103</sup> has been created from the Interreg III initiative for the programming period 2007 – 2013.<sup>104</sup> The main target still remains to remove barriers on both sides of the border and to cooperate in the development of their near territory. Integration of EU Member States gives an impetus to solve the problems jointly which often goes beyond the boundaries of one state (air pollution and the environment, high unemployment, poor road access, etc.). The European territorial cooperation contributes to common solutions and various players cooperate on economic growth, increasing employment, environmental protection, sharing of know-how and experiences, costs reduction or safety increase and mutual good relations of their region. Due to the good experience of this type of cooperation, **there are not so many essential changes** in the future period. In both periods, the objective is financed solely from the ERDF and is divided into cross-border, transnational and interregional cooperation.

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<sup>100</sup> EUROPEAN COMMISSION, 2007, ref. 91.

<sup>101</sup> EUROPEAN COMMISSION [online], 2011g, ref. 42.

<sup>102</sup> Ibidem.

<sup>103</sup> It is called the European territorial cooperation goal in the period 2014 – 2020.

<sup>104</sup> Interreg initiative was created in 1990 with the objective of economic integration at the internal borders of the EU Member Countries.

The *European territorial cooperation goal* has its **own form of regulation** for the period **2014 – 2020**. Implementation of cross-border cooperation remains at the level of NUTS 3 regions which share a land or sea border, and it may involve countries that are not EU Member States. The list of cross-border regions, including regions of EU and non-EU countries, will be created and they will share the Operational Programmes for the development of their border regions. Each of CBC programme may be directed to four thematic objectives. The aid from the ERDF will be directed to investments in equipment, infrastructure and human resources and it will focus on aspects of labour markets, gender equality, social cohesion, joint training programmes and interaction between citizens and the institutions of government. Transnational cooperation is responsible for the development of larger regional units, which are NUTS 2 regions adjoining member and non-member countries listed in the list of transnational cooperation regions. Even this regional grouping will be able to focus their Operational Programmes on the four thematic objectives. The ERDF support within the interregional cooperation covers the whole territory of the EU and also all thematic objectives. **The change in the next programming period results from binding to Europe 2020 Strategy through thematic objectives** and the fact that each grouping of territorial cooperation may select what kind of development they want to focus on. There is only one programme for each grouping of territorial cooperation. More focus and objective conditions of the European territorial cooperation are discussed in chapter 2.2.2.

The objective of European territorial cooperation inherently involves the functioning of *European grouping of territorial cooperation* (EGTC). This instrument was established as a tool to overcome barriers in cooperation functioning of ETC objective for the period 2007 – 2013.<sup>105</sup> Introducing the possibility to create EGTC established precedent of international law, because it allows you to create partnerships among the EU Member States without the need of ratification of international treaties. The EGTC are legal entities and operate under contracts among national, regional and local authorities in each country, according to which is then governed the whole programming period. Changes in the EU regulation that regulate the functioning of EGTC in the period 2014 – 2020 relating to simplification of the process of establishment of these clusters, their functioning and internal conditions. In the period 2014 – 2020, the EGTC members can be a state, regional

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<sup>105</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. Evropská seskupení pro územní spolupráci (ESUS). *Mmr.cz* [online]. 2013b [cit. 2013-02-02]. Available from: <http://www.mmr.cz/cs/Podpora-regionu-a-cestovni-ruch/Regionalni-politika/Evropska-seskupeni-pro-uzemni-spolupraci>.

and local authorities and other public bodies. **Newly EGTC members can also become regions or entities from non-EU countries.**<sup>106</sup>

### 3.3.3 Changes in the European Social Fund

The European Social Fund is the oldest Structural Fund. Its roots lay down in 1951, when the *Treaty establishing the European Coal and Steel Community (ECSC)*<sup>107</sup> was created. The Retraining and Resettlement of Workers was established by this treaty and it was the basis for the European Social Fund which was established in 1957, when the Treaties of Rome were signed.<sup>108</sup> The European Social Fund aims to help to achieve the goals of the strategies by improving conditions and results in the EU labour market and increase employment in both programming periods. In general, the role of the fund is to strengthen the economic, social and territorial cohesion of the EU through increased employment, employability and job creation. Furthermore, it contributes to an increase in labour productivity, mobility of workers across the EU, education promotion, social inclusion and efficiency of the state administration and the quality of public services. By performing these tasks, the ESF indirectly supports other areas of the economy such as science and research, the competitiveness of small and medium-sized enterprises, etc.

**The EU Member States are constantly facing social and labour markets problems.** Their deficits are further demonstrated with the advent of the economic crisis in 2009 whose consequences are still deeper and more EU countries are failing to remedy this situation. Problems of social and employment policies in the countries of Europe are perceived more strongly than in other developed regions of the world, as the entire European continent put emphasis on social solidarity and socio-economic policy. Therefore, it is more than ever necessary to **encourage investment in research and development, infrastructure, competitiveness also through the creation of sustainable jobs, increasing education and skills, social inclusion**, etc. The European Social Fund

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<sup>106</sup> EUROPEAN COMMISSION. *Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 on a European grouping of territorial cooperation (EGTC) as regards the clarification, simplification and improvement of the establishment and implementation of such groupings* [online]. 2011k [cit. 2012-07-14]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/egtc/egtc\\_proposal\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/official/regulation/pdf/2014/proposals/regulation/egtc/egtc_proposal_en.pdf).

<sup>107</sup> The European Coal and Steel Community was signed in Paris in 1951 and brought France, Germany, Italy and the Benelux countries together in a Community with the aim of organising free movement of coal and steel and free access to sources of production. This treaty is the origin of the European Union as we know it today.

<sup>108</sup> EUROPEAN COMMISSION. European Social Fund. *Ec.europa.eu* [online]. 2013b [cit. 2012-02-02]. Available from: <http://ec.europa.eu/esf/main.jsp?catId=35&langId=en>.

must be in both programming periods linked closely with strategic documents such as the *revised Lisbon Strategy* and the *European Employment Strategy* in the current period or the Europe 2020 Strategy, its Initiatives<sup>109</sup> and the new European Employment Strategy launched in April 2012<sup>110</sup> valid for the future period. The EU Member States will have to ensure that their drafts of the Operational Programmes include problem solving listed in their National Reform Programme in order to meet these objective strategies.

In the ESF Regulation for the period 2007 – 2013, there is directly given a range of assistance for the Convergence regions and the Regional competitiveness and employment objective regions, but in the proposal for ESF Regulation for future periods, the Article 3 defines the scope of assistance for four thematic objectives which are introduced in Enclosure 3. It is about promoting and supporting employment, labour mobility, investing in education, skills and life-long learning, promoting social inclusion and combating poverty and enhancing the institutional capacity and efficient public administration. In the period 2014 – 2020, the ESF will also contribute to other thematic objectives as a shift towards a low-carbon economy, accessibility enhancing, quality and use of information and communication technologies, strengthening research, technological development and innovation and enhancing the competitiveness of small and medium-sized enterprises.<sup>111</sup> Contrary to the current period, there will be more clearly defined ways to use funds from the ESF in the period 2014 – 2020. Its special centre belongs to strengthening the social dimension. It is stated that 20 % of this fund will be allocated to the thematic objective of social inclusion. Given the current situation on the labour market of EU Member States, it should also focus more on combating youth unemployment.<sup>112</sup>

Due to the specific focus of the ESF in the future period, which will focus on **strengthening partnerships and social innovation**. Strengthening the partnership lies in the integration of various social partners and non-governmental organizations in the preparation and implementation of Operational Programmes through global grants. Part of the funds from the ESF will support its capacity building. Social innovation will then continue to create innovative solutions that each member state shall determine according to their own needs. The Commission will support this activity through an exchange of

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<sup>109</sup> For example the Agenda for New Skills and Jobs, the Youth on the Move, the European Platform against Poverty and Social Exclusion, the Digital Agenda and the Innovation Union.

<sup>110</sup> EUROPEAN COMMISSION. European Employment Strategy. *Ec.europa.eu* [online]. 2013c [cit. 2013-02-02]. Available from: <http://ec.europa.eu/social/main.jsp?catId=101&intPageId=1865&langId=en>.

<sup>111</sup> EUROPEAN COMMISSION [online], 2011i, ref. 45.

<sup>112</sup> Ibidem.

experiences, networking and implementation methodologies in the social field. This will also contribute to transnational cooperation among EU Member States in the form of exchange and information sharing, experience, results, etc. In funds drawing from the ESF there must be also kept the horizontal themes such as gender equality promoting, equal opportunities and non-discrimination. Newly, each EU Member State shall specify the ESF support for local development strategies and sustainable urban development and integrated territorial investment to deal with economic and social problems and problems in the areas of environment in its Partnership Contract.<sup>113</sup>

### **3.3.4. The Cohesion Fund in the period 2007 – 2013 and 2014 – 2020**

This fund was established by a regulation in 1994 and throughout its operation, it aims to contribute the economic, social and territorial development in the area of transport infrastructure and environmental protection of NUTS 2 regions, whose Gross national income (GNI) per capita is below 90 % of the EU average. Since the beginning of the programming period 2007 – 2013, the Cohesion Fund is in accordance with the rules for Structural Funds. From the same period, it may finance new areas within the protection of the environment, such as sustainable development or renewable energy sources development.<sup>114</sup> Even in the programming period 2014 – 2020 it will focus its resources on support of transport infrastructure, particularly for projects of EU common interest and sustainable development and energy (energy efficiency and renewable energy sources) as a contribution to the environment. The Cohesion Fund will promote investment priorities as a shift towards a low-carbon economy in all sectors, promotion of climate change adaptation, risk prevention and management, environment protection and resource efficiency promotion, sustainable transport and bottlenecks removing in key network and infrastructures enhancing institutional capacity and an efficient public administration in the period 2014 – 2020. In the current period, the macroeconomic conditionality is valid only for the Cohesion Fund, but it will be extended for all EU Funds in the future programming period.<sup>115</sup>

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<sup>113</sup> EUROPEAN COMMISSION [online], 2011i, ref. 45.

<sup>114</sup> EUROPEAN COMMISSION, 2007, ref. 91.

<sup>115</sup> EUROPEAN COMMISSION [online], 2011j, ref. 47.

### 3.3.5 Other financial instruments changes

Except the Structural Funds and the Cohesion Fund, the EU uses many other tools to develop policies in the EU regions. Examples are already implemented tools such as *the Instrument for Pre-accession Assistance*, *the Solidarity Fund* or *the European Globalization Adjustment Fund*. New instruments for the period 2014 – 2020 as *the Connecting Europe Facility* and *the European Union Programme for Social Change and Innovation* have been introduced in chapter 2.3.6. An effect of the European Solidarity Fund is mentioned in the same chapter. It is currently at the stage of the Communication of the Commission and therefore, its amendments and conclusions are already remembered in this chapter. All these instruments will be required to support growth and jobs in line with the Europe 2020 Strategy targets in the next programming period. Due to the changes in the economic and social status of the EU Member States in recent years and the arrival of the new programming period, the existing complementary tools have been reviewed and adapted for effective functioning in the programming period 2014 – 2020.

As mentioned in chapter 2.3.5, the *Instrument for Pre-accession Assistance II* was established for the period 2007 – 2013 taking over tasks of the individual tools which used by countries applied for the EU membership. The European Commission has decided to continue with this instrument for the upcoming period and to extend its scope. The IPA II aid focuses on ease of transition completion institutional capacity, cross-border cooperation (with EU Member States and other countries eligible for the IPA II), regional development, human resources and rural development. In programming period 2014 – 2020, its scope of activity will expand to development of neighbourly relations, fight against organized crime and corruption and economic, social and territorial development promotion in line with the Europe 2020 Strategy. The EU attaches great emphasis on research and the competitiveness of its members in a future period. Therefore IPA II will concentrate on strengthening research and development, innovation and information and communication technologies. There will be established indicators to monitor progress in all areas of assistance.<sup>116</sup>

To provide support to the most vulnerable and the least qualified workers in sectors that are struggling with negative effects of globalization, such as a change in the structure of world trade was the reason for establishing the *European Globalization Adjustment Fund* in 2007. In 2009, a new form of regulation came up which extends the scope of the fund

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<sup>116</sup> EUROPEAN COMMISSION [online], 2011o, ref. 50.

for workers made redundant due to the economic recession in the EU countries. In the period 2014 – 2020, it is still expanding its scope to support farmers who must adapt to some new conditions arising from international trade agreements. This support will be limited by specific cases and conditions that the applicants must fulfil. The aim is to re-integrate those workers back into the labour market or promote their business through microcredit and cooperation projects in both periods. The future assistance will be focused on part-time or fixed-term duration workers, small and medium-sized enterprises which are close to going out of business. Because of above mentioned reasons, this detailed specification will achieve a narrower focus on currently affected groups. There will be also reducing of administration burden and reducing of the time between receipt of application and payment assistance. The EGF will not finance passive social measures nor in future period.<sup>117</sup>

**Financial instruments and grants** are other forms of the EU aid. Financial instruments have been providing investments since the programming period 1994 – 1999 but their significance is very small. There were created four financial instruments in cooperation with the European Commission, the European Investment Bank and the European Investment Fund for the period 2007 – 2013 to support projects where are expected some financial returns. The *JASPERS* (Joint Assistance in Supporting Projects in European Regions) is focused on providing technical assistance to EU Member States and their regions in preparation of major projects and their documentation, such as transport infrastructure or the environment. The *JEREMIE* (Joint European Resources for Micro-to-Medium Enterprises) is aimed to help SMEs to access financial support. The *JESSICA* (Joint European Support for Sustainable Investment in City Areas) promotes access to governing authorities to credit capital for urban development. The *JASMINE* (Joint Action to Support Micro-finance Institutions in Europe) provides technical and credit support to micro-credit companies.

In the future programming period, they should play a much bigger role because they can use the resources from the EU Funds in more efficient, sustainable and beneficial manner. In the current period, it already exceeds 5 % of the total resources of the ERDF but in the programming period 2014 – 2020 is their proportion expected to be over 10 %. They are an addition to the EU Funds and could be used for investment activities together in the future programming period. Financial instruments for the future have undergone major changes.

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<sup>117</sup> EUROPEAN COMMISSION [online], 2011m, ref. 53.



They will have much greater scope since the current period is mainly focused on small and medium-sized enterprises, urban development and technical assistance. In the future period 2014 – 2020, every EU Member State will be able to choose for what thematic objective will use the financial instruments. The financial instruments will be set up at the EU level, where they will be directly or indirectly controlled by the EC with up to 100 % financing of the priority axis, as well as national, regional, transnational and cross-border level, which will be administered by another managing authority.<sup>118</sup> This authority will be responsible for all financial management tools at the Operational Programme and for reporting to the Commission. Like the whole concept of the future EU Cohesion Policy, the financial instruments **will considerably simplify**. They can be better combined with grants and other forms of support and will be permitted on the basis of ex-ante evaluation. They will also have clear rules for financial management. The EU contribution to the financial instruments will be placed in interest-bearing accounts in the EU Member States. Interest or other profits generated this way will be further provided for the same purpose.<sup>119</sup>

### **3.4. Comparison of financial framework of the EU Cohesion Policy programming period 2007 – 2013 and 2014 – 2020**

The Multiannual financial framework which is always created before the opening of the new programming period is a matter of longlasting negotiations among the EU Member States. With the growth of prosperity of the member states and size of the EU membership usually grows the volume of the EU budget. Therefore, in the period 2007 – 2013, the MFF was adopted by the European Council in December 2005 in the amount of EUR 862.4 billion which represents 1.045 % GNI of the EU. But total amount of the MFF in current prices raised up to EUR 975,777 million which represents 1.12 % of GNI EU.<sup>120</sup> Chapter 1b, the Cohesion for Growth and Employment, which represents the EU Cohesion Policy has acquired for the current programming period the amount of EUR 308 billion

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<sup>118</sup> EUROPEAN COMMISSION [online], 2011e, ref. 30.

<sup>119</sup> EUROPEAN COMMISSION. *Financial Instruments in Cohesion Policy 2014-2020* [online]. 2012e [cit. 2013-02-06]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docgener/informat/2014/financial\\_instruments\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/financial_instruments_en.pdf).

<sup>120</sup> EUROPEAN COMMISSION. Financial Programming and Budget: Financial Framework 2007 – 2013. *Ec.europa.eu* [online]. 2012a [cit. 2013-02-11]. Available from: [http://ec.europa.eu/budget/figures/fin\\_fw0713/fw0713\\_en.cfm#cf07\\_13](http://ec.europa.eu/budget/figures/fin_fw0713/fw0713_en.cfm#cf07_13).

(EUR 348 billion in current prices). It represents 35.7 % of the Multiannual financial framework 2007 – 2013.<sup>121</sup>

The EU Cohesion Policy 2007 – 2013 budget splits its resources to set objectives as shown in the figure 3.1 as follows:<sup>122</sup>

- **81.53 %** (i.e., amount of EUR 251,163 million) for the **Convergence objective** which includes 24.5 % for the Cohesion Fund (i.e., amount of EUR 61,558 million) and 5 % for the phasing-out regions (i.e., amount of EUR 12,521 million),
- **15.95 %** (i.e., amount of EUR 49,128 million) for the **Regional competitiveness and employment objective** which earmarks 21.14 % for the phasing-in regions (i.e., amount of EUR 10,385 million),
- **2.52 %** (i.e., amount of EUR 7,750 million) for the **European territorial cooperation objective** which divides this amount to 74 % for cross-border, 21 % for transnational and 5 % for interregional cooperation.

The Regulation No 1083/2006 also provides ineligible expenses; it means expenses that the EU Funds assistance cannot be used for. None of the Funds may finance the recoverable value added tax (VAT) and interest on loans. In addition, the ERDF shall not finance the purchase of a land for an amount of 10 % of total eligible expenditure of the project and the decommissioning of nuclear power plants, as well as the Cohesion Fund, whose resources cannot be used to finance housing construction above that. The ESF shall not use its sources to purchase furniture, equipment, infrastructure, real estate and land. All funds may also support technical assistance, but only up to 0.25 % of the annual allocation of the EU Cohesion Policy for each member state. Every country may also set aside 3 % of the financial allocation from one target (the Convergence objective or the Regional Competitiveness and Employment objective) as a performance reserve, which will then be dissolved for the best operational programmes. The co-financing rate for priority axes of operational programmes is also determined by the objectives of:<sup>123</sup>

- 75 – 85 % for the Convergence objective,
- 50 – 85 % for the Regional competitiveness and employment objective,
- 75 – 85 % for the European territorial cooperation objective,
- 85 % for the Cohesion fund.

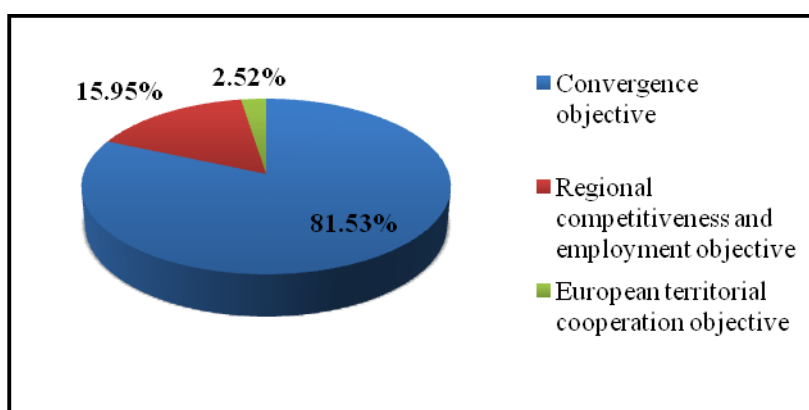
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<sup>121</sup> COUNCIL OF THE EUROPEAN UNION, 2005, ref. 6.

<sup>122</sup> EUROPEAN COMMISSION, 2007, ref. 91.

<sup>123</sup> Ibidem.

**Figure 3.1: The allocation by objective of the Cohesion Policy budget in 2007 – 2013**



Source: EUROPEAN COMMISSION, 2007; own elaboration, 2013

The **Multiannual financial framework** proposal for the period 2014 – 2020 was submitted by EC in July 2011. The Lisbon Treaty introduced a new duty to determine the financial framework by regulation.<sup>124</sup> The European Commission purposed the future financial framework of 1.05 % HDI EU (i.e. EUR 1.025 billion). For the EU Cohesion Policy has been allocated 36.7 % of the total budget, the approximate sum of EUR 376 billion. As shown in Enclosure 6, the first area, which includes the EU Cohesion Policy, should have a greater share in the period 2014 – 2020 at Multiannual financial framework and especially at the expense of the second area, which includes mainly expenditure on agricultural policy and protection of natural resources.<sup>125</sup> The Multiannual financial framework has been negotiated more than one and a half year. Some of the EU Member States called to reduce the EU financial framework due to the economic and debt crisis in the EU and their efforts to save the national budgets. The **final agreement** was reached within the meeting of the European Council in **February 2013**. It is much more modest budget than the EC expected and it is lower than the budget for the previous programming period for the first time in history. It is one of the reasons for rejection of the MMF by the European Parliament in **March 2013**. Currently, there are negotiations between the EU Member States and the European Parliament about the possible form of the MMF.

The final amount of the MFF for the period 2014 – 2020 has been agreed to 1 % of the EU GNI so far, which is the amount of EUR 959.988 million<sup>126</sup> for all 28 EU Member States.<sup>127</sup> The final amount for the **EU Cohesion Policy has decreased to EUR 325,149**

<sup>124</sup> Previous Multiannual financial frameworks were formed pursuant to the Interinstitutional Agreement.

<sup>125</sup> EUROPEAN COMMISSION [online], 2012a, ref. 63.

<sup>126</sup> In prices of 2011.

<sup>127</sup> Croatia should become a member of the EU in July 2013.

**million** which accounts 33.87 % of the seven-year budget. The budget for the EU Cohesion Policy 2014 – 2020 divides its resources again by the goals as follows:<sup>128</sup>

- **96.32 %** (i.e., amount of EUR 313,197 million) for the **Investment for growth and jobs goal**,
- **2.75 %** (i.e., amount of EUR 8,948 million) for the **European territorial cooperation goal**, and
- **0.93 %** (i.e., amount of EUR 3,000 million) for the **Youth Employment Initiative**.

As part of the *Investment for growth and jobs goal* is earmarked 52.45 % (i.e., a total of EUR 164,279 million) for Less developed regions; 10.11 % (i.e., a total of EUR 31,677 million) for Transition regions; 15.8 % (i.e., a total of EUR 49,492 million) for More developed regions; 21.19 % (i.e., a total of EUR 66,362 million) for member states supported by the Cohesion Fund and 0.44 % (i.e., a total of EUR 1,387 million) as additional funding for the outermost regions (NUTS 2 regions in Austria, Finland and Sweden). The *European territorial cooperation goal* budget is divided in 74 % for cross-border cooperation (i.e., a total of EUR 6,627 million), 20 % for transnational cooperation (i.e., a total of EUR 1,822 million) and 6 % (i.e., a total of EUR 500 million) for interregional cooperation. The EU Member States can use the amount of 0.35 % of its annual allocation for technical assistance and EUR 330 million in the area of sustainable urban development within the Investment for growth and jobs goal. The EU wanted to support youth employment more because of high unemployment of young people in some regions of the EU in recent years. Therefore, the European Council decided to create the *Youth Employment Initiative* in 2012 which will be accessible to all NUTS 2 regions where the youth unemployment exceeds 25 %. The total amount allocated for this initiative is EUR 6 billion over the period 2014 – 2020. The EUR 3 billion will come from the ESF and EUR 3 billion is presented only 0.97 % of the EU Cohesion Policy budget.<sup>129</sup>

**The CSF Funds will not be able** to finance, as well as in the current period, interest on loans and purchases of land for an amount greater than 10 % of total eligible costs for the project. Ineligibility of expenditures for each fund for the future remains the same. As a motivational element of the EU Cohesion Policy, there will be a **performance reserve** which will be equal to 5 % of the resources of each fund intended for a member state in the

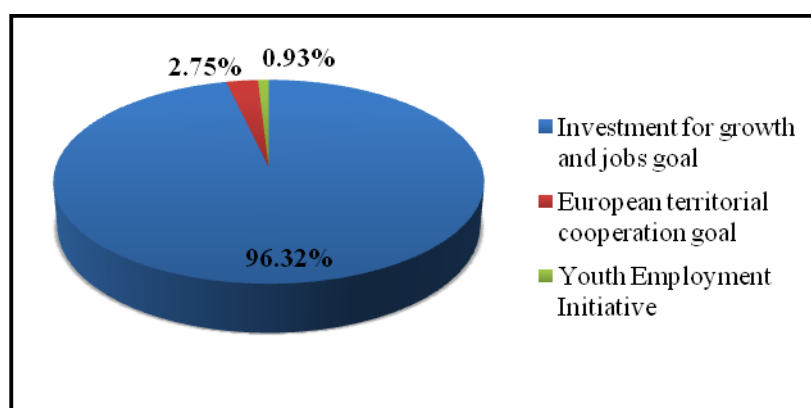
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<sup>128</sup> COUNCIL OF THE EUROPEAN UNION. *Conclusions: Multiannual financial framework* [online]. 2013. [cit. 2013-02-10]. Available from: [http://consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ec/135344.pdf](http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/135344.pdf).

<sup>129</sup> Ibidem.

period 2014 – 2020. The EGF and the Solidarity Fund are earmarked from the MFF and thus manage with their own independent budget. The amount of funds earmarked for the EGF was set for seven-year period of EUR 1.050 million (i.e., EUR 150 million for every year) and the amount of EUR 3,500 million for the *Solidarity Fund* (i.e., EUR 500 million for every year). The budget of the *EU Programme for Social Change and Innovation* for the period 2014 – 2020 has determined amount of EUR 958,190,000 and will be divided among the individual axes in the ratio of 60 % for the *Progress axis*, 15 % for the *EURES axis* and 20 % for the *European Progress Microfinance Facility axis*. The remaining 5 % will be apportioned among axes on an annual basis in line with policy priorities. The *Instrument for Pre-accession Assistance* will have a budget of EUR 14,140 million, while 3 % of this amount will be allocated to projects within the cross-border cooperation programmes among beneficiary countries and EU Member States.<sup>130</sup> The financing of the Connecting Europe Facility has been introduced in chapter 2.3.6.

**Figure 3.2: The allocation by objective of the Cohesion Policy budget in 2014 – 2020**



Source: COUNCIL OF THE EUROPEAN UNION [online], 2013; own elaboration, 2013

The **co-financing rates** for priority axes of Operational Programmes has undergone significant change and may not exceed in the period 2014 - 2020 amount of:<sup>131</sup>

- 85 % for the less developed regions,
- 60 % for the transitions region,
- 50 % for the more developed regions,
- 50 % for outermost regions,
- 85 % for the European territorial cooperation objective,
- 85 % for the Cohesion fund.

<sup>130</sup> COUNCIL OF THE EUROPEAN UNION [online], 2013, ref. 128.

<sup>131</sup> Ibidem.

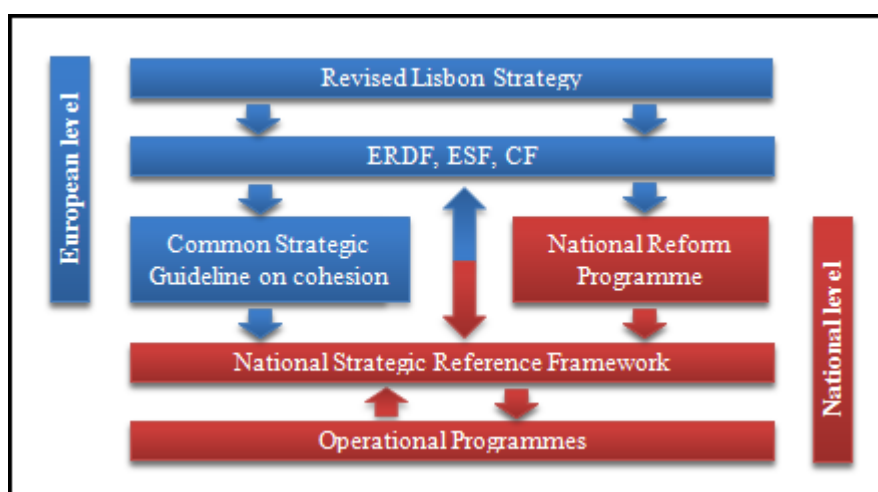
### 3.5 Changes in the EU Cohesion Policy implementing process

The entire seven-year cycle of functioning of the EU is planned several years in advance. All policies are prepared to contribute to the achievement of long-term objectives of the Union which are set in their long-term strategies (e.g., the revised Lisbon Strategy or Europe 2020 Strategy). There have to be also determined the amount of the Multiannual financial framework and areas in which the funds will be spent. From this point, any policy sets its goals and ways how to reach them. The European Commission proposes a **common implementing document** for the EU Cohesion Policy, valid for all EU Member States and approved by the European Parliament and the Council of the European Union. Based on this document, each member state shall prepare a national strategy document which sets national goals and strategies of how to achieve the economic, social and territorial cohesion. The individual Operational Programmes for regions or sectors are created according to this document, what have already set their own goals by area of focus and a need. Each member state has to send its national strategic document and programmes to the Commission for approval. During the programming period, the EU Member State provides funding for projects and still monitors and controls the correct implementation of the objectives that have been agreed with the beneficiary. The EU Member State then asks the European Commission to reimburse the resources from the EU Funds.

#### 3.5.1. Structure of the programming documents in current and future period

This is a general hierarchy of programming process in the EU. But of course, the programming periods 2007 – 2013 and 2014 – 2020 are different. *The Common Strategic Guideline on Cohesion (CSG)* is the highest programming document in the period 2007 – 2013 which defines fields of the Structural Funds and of the Cohesion Fund activities, how it is shown in the Figure 3.3. For the programming period 2014 – 2020, there has been created a similar document called *The Common Strategic Framework* that also contains common principles and priorities of the EU Cohesion Policy and lays out areas of EU Funds eligibility in the future period. An important change is an extension of the validity of the CSF in all five funds. In the middle of the programming period, the EC may make review of the CSG/CSF when changing the priorities of the EU. If any changes occur, the EU Member States will need to adapt appropriately their Partnership Contract and Operational Programmes in the period 2014 – 2020, which is optional in the current period.

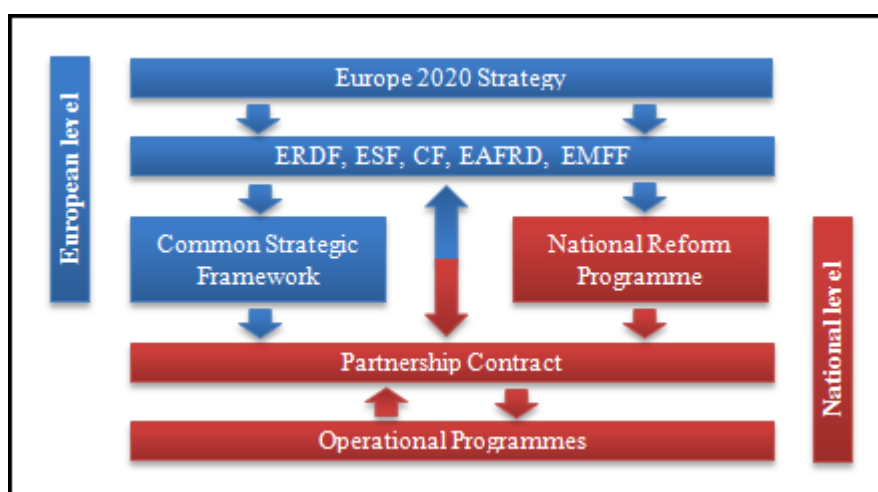
**Figure 3.3: Strategic approach of the programming period 2007 – 2013**



Source: REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION [online], 2013; own elaboration, 2013

Based on the CSG/CSF, the EU Member States must draw up their own national strategic documents in both periods. In the current programming period, the highest national document is *the National Strategic Reference Framework (NSRF)* but in the future period it will be replaced by *the Partnership Contract*. Both national documents represent a bridge to link the priorities of the Union on the one hand and the priorities of the member states on the other. These documents are intended to ensure that EU Funds are used in accordance with the CSG/CSF based on the principle of partnership. In the future period, the Partnership Contract will apply to support all five CSF Funds, pictured on the Figure 3.4. The NSRF as a tool for preparation of Operational Programmes for the Convergence objective and the Regional competitiveness and employment objective had to be used in the period 2007 – 2013. Its use for the European territorial cooperation objectives was voluntary. The future Partnership Contract will be applied to both goals, i.e. the Investment for growth and jobs goal and the European territorial cooperation goal. The Operational Programmes follow the national strategic documents in both periods and they are also created by authorized state bodies under the principle of partnership. Each of Operational Programmes is focused on a particular area of economy or a specific region of the country in order to contribute to economic, social and territorial development of the country and thus to the EU. The Operational Programmes need to be submitted at the same time with the Partnership Contract, which is not the case for the current period.

**Figure 3.4: Strategic approach of the programming period 2014 – 2020**



Source: REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION [online], 2013; own elaboration, 2013

### 3.5.2 Differences between focuses of the Common Strategic Guidelines and the Common Strategic Framework

The EU Cohesion Policy belongs to the most important EU policies and it is one of the biggest item in the EU MMF in both periods. Functioning of the EU Cohesion Policy affects many other EU policies thus the overall level of economic, social and territorial development of the European regions. The reason of existence of the highest level programming documents, e.g. the Common Strategic Guidelines for 2007 – 2013 period and the Common Strategic Framework for period 2014 – 2020, lies in the performance of specific steps and focus areas in which member states should concentrate its financial resources. In both periods, the structure of the focus is more or less the same, differing only in priorities or width of the intervention. The *Common Strategic Guideline on cohesion* presents three priorities corresponding to the objectives of the revised Lisbon Strategy, which are:<sup>132</sup>

- **Priority 1:** Improving the attractiveness of member states, regions and cities by enhance accessibility, ensuring adequate quality and level of services, and preserving the environment,
- **Priority 2:** Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies,

<sup>132</sup> COUNCIL OF THE EUROPEAN UNION. *Council Decision of 6 October 2006 on Community strategic guidelines on cohesion (2006/702/EC)* [online]. 2006 [cit. 2013-02-22]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/osc/l\\_29120061021en00110032.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/osc/l_29120061021en00110032.pdf)



- **Priority 3:** Creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

The contents of the *Common Strategic Framework* priorities based on eleven thematic objectives connected with the Europe 2020 Strategy very often coinciding with the priorities of the current period. An emphasis is put on strengthening the science, research, innovation and education which are the most important for the EU competitiveness in both periods. The principle of sustainable development refers to the need to monitor the impacts of the implementation of cohesion policy in the environmental field. The EU Member States also need to continue to develop the appropriate measures that contribute to gender equality and to prevent all forms of discrimination. The member states have their own mix of selected investments according to their needs, based on a comparison of the strengths and weaknesses of each of its regions and sectors of the national economy. It should be noted that the intervention in one objective reflects in the results of other objectives, which in the period 2014 – 2020 further underlines the coherence of the *European Agricultural Fund for Rural Development* and the *European Maritime and Fisheries Fund*. There will be presented thematic objectives for programming periods 2014 – 2020 (see p. 9.) for clarification. The financing of the thematic objectives from the EU Funds is stated in Enclosure 4.<sup>133</sup>

- 1) **The Strengthening research, technological development and innovation** thematic objective aims to contribute to the Europe 2020 Strategy target (within the Innovation Union initiative) of 3 % of the EU GDP invested in R&D. The EU Member States would have to aim at strengthening the private and public investment in research and innovation, cooperation among enterprises, but also between businesses, research institutions and universities. An emphasis is put on the complementation of the EU Funds<sup>134</sup> and the synergies between the EU Cohesion Policy and other EU programmes such as the Horizon 2020 Programme. The CSF recommends that the Less developed regions and the Transition regions

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<sup>133</sup> EUROPEAN COMMISSION. *Commission Staff Working Document: Elements for a Common Strategic Framework 2014 to 2020; the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund: Annexes* [online]. 2012d [cit. 2012-09-10]. Available from: [http://ec.europa.eu/regional\\_policy/sources/docoffic/working/strategic\\_framework/csf\\_part2\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/strategic_framework/csf_part2_en.pdf).

<sup>134</sup> The EU Funds should not crowd out private sector investment.

should focus on capacity building in the areas of science and innovation, while the More developed regions should promote rapidly growing businesses based on technologies, science and innovations and take advantage of synergies for the development of the region. The ERDF assistance will focus on building the infrastructure of science, technology centres and university modernization. A support is also concentrated on SMEs and cross-border cooperation in this area.

- 2) **The enhancing access, use and quality of information and communication technologies** thematic objective aims to realize the digital single market, introduce high-speed internet, e-Government application, public administration modernization, etc. The EU Funds do support ICT development in health, education, energy, sustainable urban development, innovation, etc. This objective is ideal for the use of financial instruments.
- 3) **The Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector** thematic objective brings investments to launch a business, guarantees, loans and is also a great opportunity for the use of financial instruments. In the period 2007 – 2013, it is included in Priority 2 which targets move the European economy towards knowledge economy and primarily on the Regional competition and employment objective. The aim is to support the business based on the poles of excellence, cluster development, environmental innovations, entrepreneurship education, etc. In the period 2014 – 2020, support in this area is to be more targeted and extended to support SMEs in the fields of culture, tourism, environment, health and services related to ageing population. An emphasis is put on eliminating factors discouraging women from the business, developing new business models and chains and marketing with ESF contribution.
- 4) **The Supporting the shift towards a low-carbon economy in all sectors** thematic objective is required to assist to achieve the "20/20/20" climate/energy target<sup>135</sup> of the Europe 2020 Strategy. This objective includes investing in reducing the energy consumption of public buildings and housing sectors, innovations in the field of renewable energy sources (especially for SMEs), promotion of marine-based renewable energy production, completion of trans-European networks interconnection, security of supply strategy and an action plan for the city (public

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<sup>135</sup> Reduce greenhouse gas emissions by at least 20 % compared to 1990 levels, increase the share of renewable energy sources in our final energy consumption to 20 % and a 20 % increase in energy efficiency.

lighting, energy network). The support under this objective has to cooperate with the LIFE Programme<sup>136</sup> or NER300<sup>137</sup> but not duplicate assistance from the income received from holding emission allowances.

- 5) **The Promoting climate change adaptation, risk prevention and management** thematic objective aims to develop knowledge of climate change, investment in equipment and infrastructure to prevent damage in events of natural disasters, building flood protection, coastal protection and decreasing the vulnerability of ecosystems. Activities under this objective have cross-border implications. This area is also a part of current programming period.
- 6) **The Protection of the environment and promotion of resource efficiency** thematic objective concerns a protection of water, air, biodiversity<sup>138</sup>, land and waste management. Investments are focusing on a wide range of nature conservation through waste water treatment, water supply, recycling, remediation of contaminated sites, sustainable transport and urban development etc., in both periods. Investment in the environment has an impact on long-term sustainable economic growth, lower environmental costs of the economy in the future, innovation and jobs.
- 7) **The promoting sustainable transport and removing bottlenecks in key network infrastructures** thematic objective brings investments into a modernization and construction of the main TEN-T infrastructure (road, rail, sea and multimodal transport), integrated plans of green urban transport and security (new carbon-free vehicles), fuelling and recharging stations for public transport, accessibility of modern transport for people with disabilities, removal of barriers to inland waterways, cross-border infrastructure, etc. Investments in this area are one of the largest items and are supported in the current period by the ERDF (in particular communication outside the TEN-T) and the CF (TEN-T infrastructure). The Connecting Europe Facility will mainly add support of cross-border infrastructure in the future period. The assistance from these funds cannot be used at any time for routine maintenance communications.

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<sup>136</sup> LIFE Programme is the EU financial instrument supporting environmental and nature conservation projects.

<sup>137</sup> NER300 is one of the world largest funding programmes for innovative low-carbon energy demonstration projects.

<sup>138</sup> For example the Natura 2000 which is network of protected areas created on territory of each Member State according to uniform principles of the European Union.

- 8) **The promoting employment and supporting labour mobility** thematic objective based on the objective of the Europe 2020 Strategy which aims at 75 % of the population aged 20 to 64 employments. The EU Funds support and will support active and preventive measures on the labour market, linking the European labour market, training, reskilling, facilitating occupational and geographical mobility, active adaptation to changes in the structure of the economy, sustainable integration into employment, etc. In the case of the sustainable integration of young people, the member states should also focus on creation and development of enterprises in all sectors, contribution to the elimination of gender stereotypes, help harmonize work and private life, support work at home, part time jobs, health and safety at work, promotion of active ageing, etc. In the public sector, the investments will focus on measures to match labour market demand and supply, cooperation between employers and educational organizations, development of business incubators and start-ups in emerging sectors.
- 9) **The promoting social inclusion and combating poverty** thematic objective has to contribute to meeting the objective of 20 million less people at risk of poverty. Measures (mainly financed from the ESF) aim on the active inclusion of people at risk of poverty (training, modernization of social protection systems, the elimination of segregation in education, measures to overcome the prejudice and discrimination of all kinds) and the promotion of social entrepreneurship. Great emphasis is placed on the development of social innovations that can address the new challenges<sup>139</sup> in the social sector through the implementation of new ideas.
- 10) **The investing in education, skills and lifelong learning** thematic objective connects to the Europe 2020 Strategy target of share of early school leavers under 10 % and at least 40 % of the younger generation a tertiary degree. Achieving this objective is provided through the support of quality of teachers, modernization of educational system, using of ICT, especially removal of barriers in pre-school education, promotion of cooperation among universities and enterprises and research institutions, adaptation to the needs of the labour market, improving access to lifelong learning, promotion of investment in educational infrastructure, promotion of student mobility, etc.

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<sup>139</sup> For example ageing, disabled persons, unemployment, poverty, inequality, discrimination, lifestyle, etc.

- 11) The last thematic objective, **Enhancing institutional capacity and an efficient public administration** aims at reform functioning and efficiency of public administration at all levels, creating effective capacities in the fields of employment, health and social policy. In both programming periods, the CSG as well as CSF also focus on the issue of the territorial dimension of the EU Cohesion Policy. In the cross-border cooperation objective is related to various forms of cooperation support cities that are engines of regional development, as well as accessibility, competitiveness of SMEs, promotion of tourism and cross-border provision of services. The regions should work together on common interests and priorities in the areas of labour market, transport, environment, research and innovation etc., in the transnational cooperation objective. The interregional cooperation objective, the support of the EU Funds focuses on cluster development, cooperation and sharing of knowledge in the fields of science, research, innovation and technologies.

### **3.5.3 Differences at the national level of programming process in both periods**

This kind of document is represented by the National Strategic Reference Framework in the **period 2007 – 2013** which will be replaced by the Partnership Contract in the future programming period. The content of both documents can be divided into analytical and strategic part. A substantial part of these documents is very similar, but differs in certain elements that go along with the entire change between programming periods. In both programming documents, there have to be an analysis of disparities and development needs, strengths and weaknesses of the member state development potential. The EU Member States have to adapt their needs to CSF thematic objectives in future programming period. Part of NSRF/PC must be a list of all Operational Programmes, in addition to the Operational Programmes under the European territorial cooperation objective/goal and their indicative annual allocations by ERDF, ESF and CF in both programming periods. Because of the introduction of the principle of ex-ante conditionality, the Partnership Contract has to define results of ex-ante evaluation of Operational Programmes and justification of choice of thematic objectives and financial allocations. The EU Member States should also mention an expected contribution of CSF Funds for each thematic objective, an allocation of CSF Funds by thematic objective, priority fields for cooperation and application of horizontal principles in the Operational

Programmes. The EU Member States should use the integrated approach<sup>140</sup> for the spatial development of cities, rural and coastal areas, fisheries areas and areas with particular territorial features. This principle can be used to support areas affected by poverty or groups that are vulnerable to discrimination and social exclusion in the next programming period. There must be taken measures to strengthen the performance of the state administration. Newly, the Partnership Contracts must include milestones and performance framework of Operational Programmes and objectives to be achieved at the end of the period and whose failing can lead to suspension or cancellation of funding. The EU Member States have to also take measures to involve partners and their connection to the drafting of the Partnership Contract, plans to reduce administrative burden and steps taken to develop e-Government.<sup>141</sup>

The Operational Programmes can always relate only to one goal of the EU Cohesion Policy. Each of OP consists of several priority axes. Each priority axis involves one EU Fund for a category of region and corresponds to a thematic objective and includes one or more investment priorities of that thematic objective. The ESF support can combine investment priorities from different thematic objectives within one priority axis.<sup>142</sup> Each priority axis has its own output and result indicators for assessing progress in achieving the objective. In the period 2014 – 2020, these indicators will be completed by financial indicators. The Operational Programmes are drawn up by a member state authority based on principle of partnership. Operational Programmes are usually financed by one EU Fund. Exceptions are the EU Member States that receive the Cohesion Fund assistance because they can combine resources of this Fund with the ERDF for transport and environment protection, e. g. major projects. This type of projects can be financed by the ERDF and the CF if its total costs exceed EUR 25 million for environment protection projects and EUR 50 million for transport infrastructure projects in programming period 2007 – 2013.<sup>143</sup> In the future programming period, there will be applied such assistance to all projects that total costs exceed the EUR 50 million. All EU Member States can use this complementary manner for structural funds. The ERDF and ESF can combine their resources in a

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<sup>140</sup> Integrated approach puts emphasis on the coordination of public policies i.e., the development at the regional level from infrastructure to education. The member states may use a combination of CSF Funds and other financial instruments as well as cooperation with the EIB.

<sup>141</sup> EUROPEAN PARLIAMENT. *The Partnership Contracts – How to Implement Multilevel Governance and to Guarantee the Flexibility of Cohesion Policy* [online]. 2012 [cit. 2013-02-19]. Available from: <http://www.europarl.europa.eu/committees/en/regi/studiesdownload.html?languageDocument=EN&file=74011>.

<sup>142</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

<sup>143</sup> EUROPEAN COMMISSION [online], 2007, ref. 91.

complementary manner for each priority axis up to 10 % (in the period from 2007 to 2013), respectively 5 % (in the period 2014 – 2020). The geographical scope of Operational Programmes covered under the Convergence objective and the Regional competitiveness and employment objective, respectively the Investment for growth and jobs goal, relates to NUTS 2 regions. The geographical scope of the European territorial cooperation objective relates to NUTS 3 regions.

In the current programming period, the EU Member States has had five months to submit the NSRF and their Operational Programmes, but most member states missed a submission date and whole programming period has started to be delayed. The beginning of the programming period 2014 – 2020 will be probably also delayed because the time for submitting of Partnership Contracts and Operational Programmes which has been reduced to three months since the approval of the CSF. The Operational Programmes under the European territorial cooperation goal have six months to completion. Then, the European Commission has two months in current period (during the period 2014 – 2020 will have three months) to evaluate and submit any suggestions for revision. **Each Operational Programme has to contain:**<sup>144</sup>

- identification of situation in the region or sector of economy and contribution of the OP to the union strategy,
- justification of priorities/thematic objectives and ex-ante evaluation results,
- information about priority axes and their targets, quantification of output indicators and results indicators,
- schedule of planned use of the contribution from the EU Funds to the OP and each priority axis for each year,
- financial plan that specifies amount of total appropriation of the support from the EU Funds for the whole programming period and the national co-financing,
- list of cities selected for integrated actions for sustainable urban development,
- measures to ensure implementation of EU Funds such as monitoring, evaluation, audit, promotion, information distribution, technical assistance, etc.,
- list of major projects,
- information about integration of horizontal principles to the OP and many others.

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<sup>144</sup> EUROPEAN COMMISSION [online], 2007, ref. 91.

**In the period 2014 – 2020**, the Operational Programmes also will have to contain information on areas in which community-led local development will be implemented, measures to climate change mitigation, special actions for integrated approach to specific needs of areas of groups most affected by poverty and discrimination, contribution of planned interventions on macro regional strategies and sea basin strategies. Another new feature is the existence of joint action plans. The *Joint Action Plans (JAP)* are made up as a group of non-infrastructural projects to contribute to the specific objectives of the Operational Programme. Responsibility for implementation belongs to recipient that can only be some public authority. Joint action plans can be funded from the ERDF or ESF. Public support should reach at least amount of EUR 10 million or 20 % of the resources of the Operational Programme, according to the lower amount. The aim is to achieve the objectives agreed between the Member States and the European Commission. This tool will improve the integration of various funds and ease the administration of the EU Cohesion Policy in the future period.<sup>145</sup>

#### **3.5.4. Institutional arrangements for the EU Cohesion Policy implementation process**

The implementation of the programming process involves many institutions that have specific tasks and powers. These institutions are responsible for the smooth running of the entire seven-year period in each EU Member State. There is a Managing Authority (national strategic programme level), a Monitoring Committee and an Intermediary Body (operational programmes level) for each level of strategic and Operational Programmes. Repayment of funds is in charge of an Paying Authority which is complemented by a Certifying Authority and an Audit Authority.

Each OP has a Monitoring Committee that initiates its activity within three months of approval of the Operational Programme, in agreement with a Managing Authority. One Monitoring Committee may serve more Operational Programmes. This committee chaired by a representative of a member state or a **Managing Authority**. It also consists of representatives of the **Intermediary Bodies**. Representatives of the European Commission can assist as advisers and also representatives of the EIB can attend if the EIB contributes to an Operational Programme. Monitoring Committees should meet at least once per year. Their task is to monitor effectiveness and quality of OP implementation, comparison of the progress of all types of indicators and targets, examination and approval of the OP annual reports, ensurance of collection of data and creation of statistics and their providing to the

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<sup>145</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.



European Commission. Moreover in the middle of the period, the member states submit a progress report, which monitors achieving milestones and functioning of the cohesion policies in the EU Member States to achieve the objectives of the Union.<sup>146</sup>

The **Monitoring Committees** also carry out evaluation in order to improve the overall functioning of the Operational Programme with respect to structural problems and sustainable development. Evaluations may be strategic (OP contribution to the Union) or operational (support monitoring). The Monitoring Committees perform three types of evaluation (ex-ante, ongoing, ex-post) and all their activities are financed from the technical assistance budget. Ex-ante evaluation is realized before the beginning of the programming period to investigate the contribution of the OP, the quality of management, size of funds allocated to the OP, the goals to be achieved, etc. Ongoing evaluation is based on the seven-year monitoring and evaluation of achieved results. The performance reserve<sup>147</sup> follows the functioning of this kind of evaluation. The purpose of the performance reserve is to focus the work of the EU Member State and its institutions to achieve their objectives.

Each Operational Programme will have set milestones to be achieved in the period 2014 – 2020. Performance review will be carried out in cooperation with the member state. The achievement of agreed milestones in time will bring additional financial resources to the member state from its performance reserve. The failure to reach milestones can mean suspension of payments by the European Commission for that programme. Milestones will be set for the years 2016, 2018 and 2022. The actual performance review will take place in 2017 and 2019 and then, after whole programming period 2014 – 2020.<sup>148</sup> Even in the current period, there is the mechanism of performance reserve. However, it is voluntary and only in amount of 3 % of the total resources of the EU Member State at that objective. Last performance review took place in 2011. Then, the European Commission divided reserve among the successful Operational Programmes on the basis of a member state proposals. The Czech Republic has passed this evaluation very well and therefore, it has received additional funds for its development. Ex-post evaluation is made by the European Commission in cooperation with the member state. In this case, they assess the extent of

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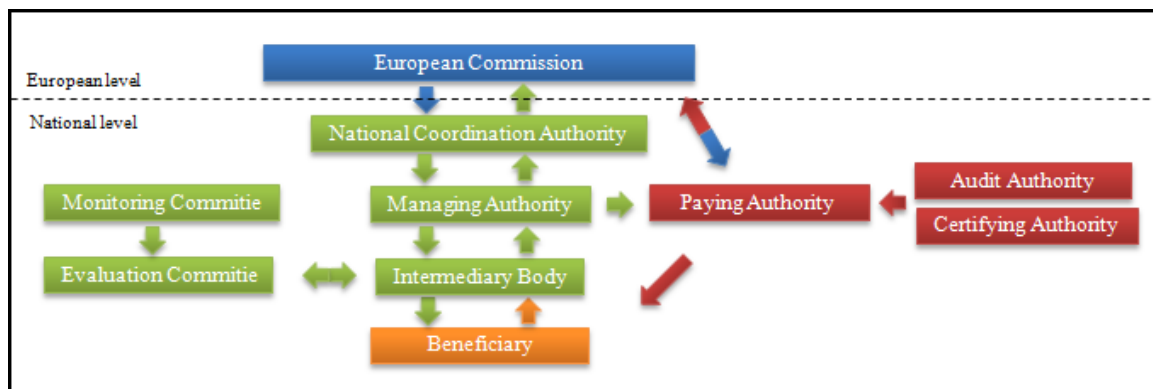
<sup>146</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

<sup>147</sup> The performance reserve is 5 % of the resources allocated to each EU Fund and a member state.

<sup>148</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

the financial resources, the efficiency of their use and socio-economic impact. The operational system and cooperation among institutions is shown in figure 3.5.<sup>149</sup>

**Figure 3.5: Model scheme of implementing processes in Operational Programmes**



Source: Own elaboration, 2013

Each EU Member State must establish Managing Authorities, Certifying Authority and Audit Authority at national, regional or local level for both programming periods for each Operational Programme. These bodies may be designed for more Operational Programmes plus may be a part of the same governmental authority and their main role is to implement the **financial transactions** between the European Commission and beneficiaries. The Managing Authority is responsible for the implementation and management of the Operational Programme and the selection of projects. It also ensures their compliance with legal regulations, checks all expenditures on contracted projects, keeps accounting records and determines the rules for dealing with them, informs the Monitoring Committee on the OP progress, provides information for the Certifying Authority, draws up an annual and a final reports on the functioning of the Operational Programme, etc. A part of this task can be converted to the Intermediary Body.

The **Certifying Authority** is basically an accounting entity of the programming process because it certifies projects and these statements are re-sent to the European Commission, together with requests for payment. A certification may occur after the receipt of the audit results from the Audit Authority. The Certifying Authority is also responsible for an accuracy of statements and their conformity with EU rules, accounting records, etc. The European Commission sends payments to the **Paying Authority** after approval of eligibility of expenditures. The **Audit Authority** ensures project audits by verifying declared expenditures, it executes audits of the functioning and of the OP management and

<sup>149</sup> EUROPEAN COMMISSION [online], 2007, ref. 91.

control system, it creates an audit strategies, publishes inspection reports, etc. At the top of the hierarchy at the national level, there is the National Coordination Authority which is responsible for the overall implementation of cohesion policy in the member state.<sup>150</sup>

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<sup>150</sup> EUROPEAN COMMISSION [online], 2011f, ref. 30.

## 4. The EU Cohesion Policy reform consequences for the Czech Republic and the Moravian-Silesian region

### 4.1 The implementation of the EU Cohesion Policy in the Czech Republic

The Czech Republic accession into the EU has been one of the most important milestones in the recent history of our country. Its direction in European structures began before the separation of Czechoslovakia in 1993. In 1996, the Czech Republic applied for a **membership** in the EU and after several years of negotiations, in April 2003, *the Treaty concerning the accession of the Czech Republic to the European Union* was signed. The Czech Republic became one of the ten countries that joined the EU on 1<sup>st</sup> May 2004. Up to that time, the Czech Republic implemented its own regional policy only marginally. However, it had to take appropriate actions and changes, especially in the legislative field at national and regional level in order to be effective and compatible with the EU Cohesion Policy after the EU accession. The Czech Republic also had to prepare itself for the functioning of the EU Cohesion Policy and the use of EU Funds. It gained this opportunity through **EU pre-accession instruments** which are designed especially for countries that are about to become EU Member State. These tools are used to prepare the NMS for the administrative activities associated with the use of the EU Funds and also for the implementation of various investment projects. The Czech Republic could take advantage of the three pre-accession assistance instruments: PHARE, ISPA and SAPARD,<sup>151</sup> during the programming period 2000 – 2006. The PHARE was created to contribute to construction and reformation of New Member State institutions. ISPA provided support for projects in the field of transport and environment. SAPARD was focused on the structural changes in agricultural sector and promoted rural development. The Czech Republic was able to draw up this assistance until its accession into the EU. As a new EU Member State, it could use the Structural Funds assistance in the rest of the programming period 2000 – 2006.

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<sup>151</sup> PHARE (Poland and Hungary Aid for Restructuring of the Economy), SAPARD (Special Accession Programme for Agriculture and Rural Development), ISPA (Instrument for Structural Policies for Pre-Accession).

#### 4.1.1 The nomenclature of territorial units for statistics in the Czech Republic

The Council of the EU issued a *regulation on the establishment of a common classification of Territorial Units for Statistics* (NUTS) which divided the EU Member States into several levels of territorial units in 1988 due to the deepening of economic and social relations among members of the European community and expanding of their membership base. The aim is to enable data collection and compilation of harmonized regional statistics. In the case of the EU Cohesion Policy, the classification plays a vital role because it allows the EU and its member states to assess the socio-economic situation of individual regions, direct the assistance from the EU Funds to needed areas and to monitor the influence on economic and social development of the regions.<sup>152</sup> The **NUTS classification** is hierarchical i.e., that the higher territorial unit always contains several lower territorial units (levels). On the top of this hierarchy are NUTS 0 units which always correspond to the whole territory of each EU Member State. Then, there are NUTS 1 units which are further subdivided into NUTS 2 units, and these in turn to several NUTS 3 units. The EU Member States may also establish a system of lower territorial units called the local administrative units (LAU), which may have two levels.

**Figure 4.1: The Nomenclature of Territorial Units for Statistics in the Czech Republic**



Source: REGIONAL COUNCIL OF THE SOUTH-WEST COHESION REGION [online], 2013

<sup>152</sup> EUROPEAN COMMISSION. *Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS)* [online]. 2003 [cit. 2013-03-03]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2003R1059:20110207:EN:PDF>.

The Czech Republic includes only one NUTS 1 region which corresponds to the whole territory of the Czech Republic. It is divided into eight regions of NUTS 2 level (so-called cohesion regions), also fourteen regions of NUTS 3 level (so-called regions), 77 regions of LAU 1 level (formerly NUTS 4), which correspond to the no longer existing districts and 6,253 of LAU 2 level (formerly NUTS 5) which represent municipalities.<sup>153</sup> Classification of the Czech Republic regions shows the Figure 4.1. As already mentioned above, the whole Czech Republic corresponds to NUTS 1. The NUTS 2 regions are displayed in the colour of different shade and NUTS 3 regions are separated by its borders.

#### **4.1.2 Preparation for implementation of the EU Cohesion Policy 2007 – 2013 in the Czech Republic**

The Czech Republic joined the EU in the second third of the programming period 2000 – 2006 and already at that time, it had to create concepts and strategies for drawing assistance from EU Funds in the period 2007 – 2013. The preparation and implementation of the EU Cohesion Policy was again entrusted to the *Ministry of Regional Development* which represents the **national coordinating authority** for regional policy in the Czech Republic. The Ministry presented the first concept of the *Regional Development Strategy of the Czech Republic*, the *National Strategic Reference Framework* and proposals of the *Operational Programmes*, at the end of 2005. In May 2006, the Government of the Czech Republic adopted an allocation of contribution from the EU Funds for each of Operational Programmes. However, the negotiations on the final forms of all programming documents dragged on mainly due to instability of the political environment in the country represented by government crisis. Discussion of the National Strategic Reference Framework and the Operational Programmes between the Czech Government and the European Commission initiated only at the end of 2006. It was a clear signal of failure to commence drawing of the EU Funds at the beginning of the programming period 2007 – 2013. The European Commission recommended to the Czech Republic completion in the case of the NSRF and some of OPs. The main reasons were the complexity of the implementation process mainly represented by a large number of Operational Programmes in comparison to other EU Member States. The Czech Republic is involved in the 26 Operational Programmes while it manages 18 of them in the period 2007 – 2013. Other lacks were, for example, an overlapping of actions and inadequate distribution of funds of some OPs. The European

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<sup>153</sup> EUROPEAN COMMISSION. *Regions in the European Union: Nomenclature of territorial units for statistics NUTS 2010/EU-27* [online]. 2011p [cit. 2012-03-03]. Available from: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-RA-11-011/EN/KS-RA-11-011-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-11-011/EN/KS-RA-11-011-EN.PDF).

Commission approved form of the Czech National Strategic Reference Framework in July 2007. By the end of 2007 after complex negotiations, there were agreed most of the Czech Operational Programmes. Thus the Czech Republic, together with Italy, was the only country in the EU that did not have the approved final structure of the implementation of cohesion policy for the period 2007 – 2013. In 2008, the Czech Republic was still negotiating five Operational Programmes. The latest one was the OP Research and Development for Innovation which was approved in October 2008.

## **4.2 The EU Cohesion Policy in the Czech Republic in programming period 2007 – 2013**

The EU Cohesion Policy target is generally reducing of economic, social and territorial disparities among the regions of the EU Member States. This policy is implemented on the basis of strategies and programmes that focus on a particular field of economy or regions. The entire programming process in the EU lies in analyzing problems and needs of a region, a sector or a state and developing strategies and their implementing which runs continuously in the **multiannual cycles** to achieve desired goals. The EU Cohesion Policy is an **investment policy** that promotes economic and social development and regional competitiveness of EU Member States. Authorities of the EU countries are preparing for a new programming period of several years. Undertaking analysis, providing strategies and programmes must be in line with EU priorities which are set out in EU highest strategic document that defines a framework of support from EU Funds and the conditions for their use. The result of this multi-step system of programming is an integrated plan carried out in the long run and is aimed at achieving the objectives, defines development priorities at EU level, but it is implemented at the lowest regional level of each EU Member State.

### **4.2.1. The Regional Development Strategy 2007 – 2013**

*The Regional Development Strategy (RDS)* is a fundamental strategic document of the regional policy of the Czech Republic in the period 2007 – 2013. Its structure and content has to be consistent not only with the EU legislation, but also with the *revised Lisbon Strategy* and *the Common Strategic Guidelines on Cohesion*. This document was issued by the Czech government in 2006 on the basis of priorities and objectives of many other strategies such as the Sustainable Development Strategy of the Czech Republic, the

Economic Growth Strategy (EGS) of the Czech Republic or the National Programme of Reforms (NPR). The Regional Development Strategy contains:<sup>154</sup>

- an analysis of the status of the regional development,
- a characteristic of the strengths and weaknesses of the development of regions,
- strategic objectives of the regional development in the Czech Republic,
- recommendations to the relevant central administrative authorities and regions on the focus of the development of sectors falling within their competencies.

Based on the analysis of regional development, the RDS defines the **strengths** and **weaknesses**. As the strength of the Czech Republic, this document defines a skilled and relatively cheap labour force. Among other positive characteristics of the Czech economy were stable macroeconomic situation, energy facilities, development of information technologies, cooperation of Czech companies with multinational companies, an existence of quality researchers, a high density of road and rail networks and many others in the areas of environment, education, health, etc. One major problem named in the RDS 2007 – 2013 is a lack of a certain type of skilled labour in some regions which is associated with the development of new technical and technology-oriented fields and the influx of foreign investment. Other shortcomings include complications related to creation and development of business activities and excessive bureaucracy, problems caused by the rigidity of the labour market, low level of support for science and research, deficiencies in infrastructure and communications sectors and education in general, state of the environment in some regions etc.<sup>155</sup>

The Regional Development Strategy 2007 – 2013 defines its **global objective** as: *the global objective of the strategy of regional development consists in the balanced, harmonious and sustainable development of regions, which results in betterment of the quality of life of inhabitants. This objective should lead to the accomplishment of the vision by which the Czech Republic would like to become an active, economically efficient and competitive country with quality environment, which achieves standards of the European Union in all basic criteria and secures betterment of the quality of life of its population in*

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<sup>154</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. *Regional Development Strategy of the Czech Republic: Summary* [online]. 2006a [cit. 2013-03-08]. Available from: [http://www.mmr.cz/getmedia/cb4aeb8d-36dc-4a3f-80e4-349edfd99f47/070808\\_Regionaldevelopmentstrategy\\_aj.pdf](http://www.mmr.cz/getmedia/cb4aeb8d-36dc-4a3f-80e4-349edfd99f47/070808_Regionaldevelopmentstrategy_aj.pdf).

<sup>155</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. *Návrh národního rozvojového plánu České republiky 2007 – 2013* [online]. 2006b [cit. 2013-03-08]. Available from: [http://www.strukturalni-fondy.cz/getmedia/e2851ddf-d85f-4c35-809a-19545a7cac45/1141122325-materi-l-nrp-iii-nrp-upraveny-str\\_e2851ddf-d85f-4c35-809a-19545a7cac45](http://www.strukturalni-fondy.cz/getmedia/e2851ddf-d85f-4c35-809a-19545a7cac45/1141122325-materi-l-nrp-iii-nrp-upraveny-str_e2851ddf-d85f-4c35-809a-19545a7cac45).



*compliance with the principles of sustainable development.*<sup>156</sup> The global objective consists of four **strategic objectives** which are followed by **four priority axes** that have several other **priorities**, as the Enclosure 7 shows. The **Competitive Czech Economy strategic objective** is aimed at strengthening the competitiveness of business, increasing productivity and accelerating sustainable economic growth, and it is carried out by three priorities. The **Open, Flexible and Cohesive Society strategic objective** supports development of a modern and enlightened society with a high level of employment, new and quality jobs and a social cohesion. Ensuring environmental improvement and expansion of quality transport and communication networks is a task of the **Environment Attractive strategic objective**. The interventions are implemented through two priorities. The **Balanced Development of Territory strategic objective** which promotes and maintains consistency between cohesion policy interventions and natural, socio-economic and cultural differences of the Czech Republic regions is also very important. It must take into account the differences among regions and their specific needs. This strategic objective is realized by five priorities.<sup>157</sup>

#### 4.2.2 Objectives and geographical coverage of structural aid in the Czech Republic

There were formulated three objectives for implementation of the EU Cohesion Policy in programming period 2007 – 2013 which have been introduced in the chapter 2 and summarized in the Table 3.1. The Czech Republic can draw an assistance of EU Funds thus the ERDF, ESF and CF in all three objectives in this period:

- Convergence objective,
- Regional competitiveness and employment objective,
- European territorial cooperation objective.

The *Convergence objective* should help to accelerate the convergence of the least developed regions of the EU by promoting growth and employment, environmental improvements, support for investment in human capital, science and innovation, etc. The Czech Republic consists of **seven convergence regions** and no phasing-out region under the Convergence objective; it means all NUTS 2 regions shown in Figure 4.1, with the exception of Capital Prague. Therefore, it is:

<sup>156</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. Concepts and strategies. *Mmr.cz* [online]. 2013a [cit. 2013-03-09]. Available from: <http://www.mmr.cz/en/Ministerstvo/Koncepce-a-strategie>.

<sup>157</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2006b, ref. 155.

- The Central Bohemia region,
- The South-West region – consists of the South Bohemian region and Pilsen region,
- The North-West region – includes Karlovy Vary region and Ústí region,
- The North-East region – there are Liberec region, Hradec Králové region and Pardubice region,
- The South-East region – consists of Vysočina region and the South-Moravia region,
- The Central Moravia region – includes Olomouc region and Zlín region,
- The Moravia-Silesia region.

All the convergence regions may also draw an assistance from the Cohesion Fund. The *Capital Prague is the only Czech region which gets into the Regional Competitiveness and Employment objective that focuses its resources on strengthening the competitiveness and attractiveness of its regions thanks to the condition exceeded 75 % of the GDP average of the EU-25 for the reference period 2000 – 2002. The Czech Republic has not any phasing-in region, too. The values of each Czech NUTS 2 region in the gross domestic product (GDP) per capita indicator in the reference period are pictured in the Table 4.1.*

**Table 4.1: GDP in PPS per inhabitant in percentage of the EU average by Czech NUTS 2 regions in the period 2000 – 2002**

Region/Year	2000	2001	2002
Prague	139	148	151
Central Bohemia	68	69	69
South-West	66	67	67
North-West	60	60	60
North-East	64	65	64
South-East	63	66	66
Central Moravia	58	59	59
Moravia-Silesia	55	57	57

Source: EUROPEAN COMMISSION [online], 2013e; own elaboration, 2013

*The European territorial cooperation objective* aims to encourage cooperation among the EU Member States and their regions across borders especially at many fields of development. In the **cross-border cooperation** are involved border regions of the Czech Republic and the border regions of neighbouring countries of Germany, Austria, Slovakia and Poland which are represented by five cross-border regions such as the Czech Republic – Austria, the Czech Republic – Slovakia, the Czech Republic – Poland, the Czech

Republic – Sachsen and the Czech Republic – Bayern. For the purpose of implementation of the EU Cohesion Policy under the transnational cooperation, the European Commission created thirteen transnational regions. The Czech Republic belongs to the Central Europe transnational region as you can see in the Enclosure 8. The interregional cooperation is implemented throughout the European Union.

#### **4.2.3 The National Strategic Reference Framework of the Czech Republic**

The most important national strategic programming document for the period 2007 – 2013 is the *National Strategic Reference Framework* without its approval the Czech Republic could not use the EU Funds. This document was prepared according to the principle of partnership approved by the Czech government and subsequently adopted by the European Commission in July 2007. It is a strategic programming document that describes the **implementation of the EU Cohesion Policy** in the Czech Republic. Its structure is defined in the General Regulation and content in the Common Strategic Guidelines on Cohesion. The NSRF connects the EU priorities and development needs of each EU Member State. As it was mentioned in the Regional Development Strategy of the Czech Republic, the content is very similar and is divided into two parts. The **analytical section** deals with the status and development of Czech economy, representing the SWOT analysis of Czech economy and society and it is basically the same as in the RDS. The **strategic part** explains the overall structure and mechanism of absorption of the EU Funds, including a description of all Operational Programmes that will be presented in the next chapter. It also represents its global goal and the resulting four strategic objectives, which are identical to the objectives of the Regional Development Strategy 2007 – 2013. The NSRF also introduces the needs for implementation of the horizontal themes of sustainable development and equal opportunities in all Operational Programmes as it is required by the EU legislation. The member state has the main responsibility for the implementation of the EU Cohesion Policy by the principle of subsidiarity. The member country has to establish clear rules, roles and tasks for all public authorities. The National Strategic Reference Framework also addresses the issue of the management and coordination of the implementation of cohesion policy at the national level and sets roles of individual authorities of state and public administration. Furthermore, it provides the implementation

of ex-ante evaluation of the NSRF and the Operational Programmes after programming period termination.<sup>158</sup>

#### 4.2.4 The Operational Programmes of the Czech Republic in period 2007 – 2013

The Operational Programmes of the Czech Republic are developed on the basis of priorities and objectives of the National Strategic Reference Framework and the Regional Development Strategy. The proper implementation of the Operational Programmes in particular areas and regions contributes to an achievement of specific priorities of those two documents. The Czech Republic has created a total of **26 Operational Programmes** for all three objectives but does not manage all of them. All Operational Programmes have clearly defined a structure and they have also an analytical and strategic part. In the analytical part, there must be justified the need of the OP and the socio-economic analysis of the situation of an economic sector or region. The strategic part defines a strategy how to achieve the **objectives of the programme**, provides a link with other OPs as well as with the horizontal priorities. It must also contain a description of the **priority axes** which represent the directions of intervention and are complemented by indicators for monitoring progress. Then, the priority axes consist of several **areas of support** that play a role of a tool for implementing each Operational Programme. The projects are implemented through the areas of support. The whole concept of programming is thus built on a hierarchical structure where the very general objectives, which the EU wants to achieve, are more and more specified up to the lowest territorial level.

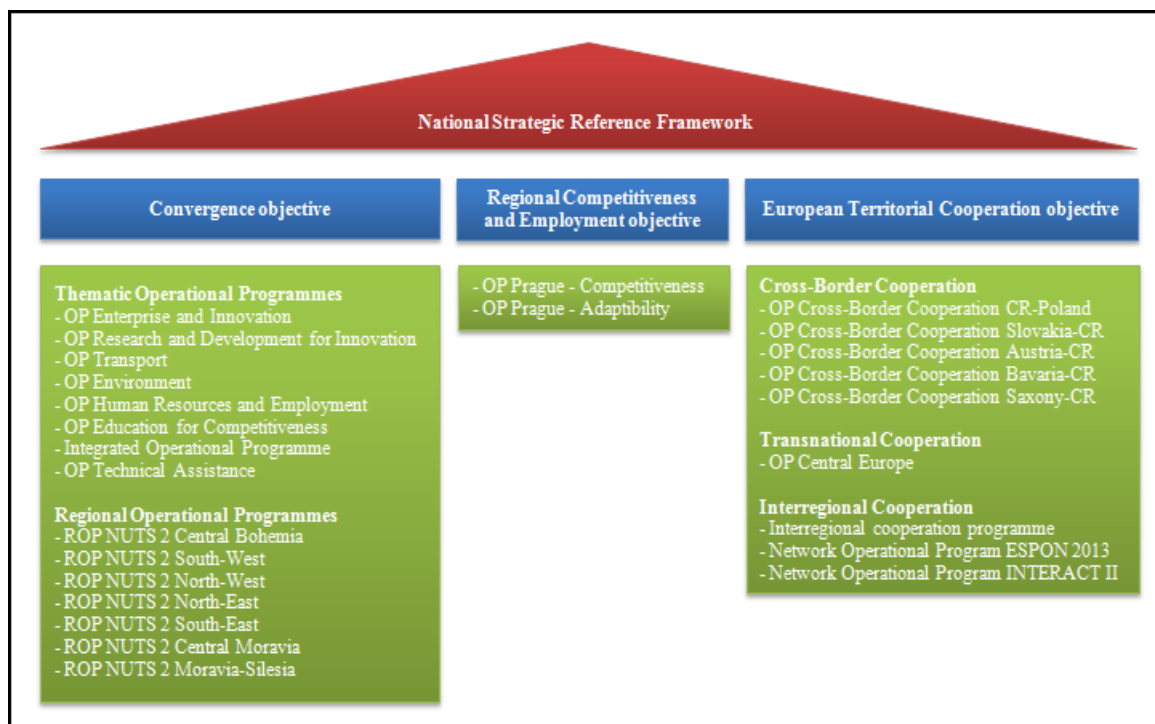
The following text presents individual Operational Programmes according its objective which it is assigned. The values in parentheses represent the percentage value of the Operational Programme of the total amount of EU Funds in the Czech Republic for the period 2007 – 2013. The Operational Programmes under the *Convergence objective* can be divided into the **Thematic Operational Programmes** (TOP) and their scope covers the entire territory of the Czech Republic except for the capital city of Prague. Furthermore, there are seven **Regional Operational Programmes** (ROP) that correspond to the territory of the NUTS 2 regions under the Convergence objective. The total allocation from the EU Cohesion Policy Funds for the Convergence objective is EUR 25,959,284,061 (96.4 %).

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<sup>158</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. *National Strategic Reference Framework of the Czech Republic 2007 – 2013* [online]. 2007a [cit. 2012-03-22]. Available from: <http://www.strukturalni-fondy.cz/getmedia/316d70b9-76e1-4152-866d-1671ae735211/NSRR-AJ.pdf>.

The structure of the Operational Programmes for the period 2007 – 2013 by objectives is shown in the following Figure 4.2.<sup>159</sup>

**Figure 4.2: The structure of Operational Programmes in the Czech Republic during programming period 2007 – 2013**



Source: MINISTRY OF REGIONAL DEVELOPMENT CZ [online] 2013e; own elaboration, 2013

*The Operational Programme Enterprise and Innovation (OPEI)* is the main programming document for implementation of economic and social cohesion in industry and SMEs. Its aim is to increase global competitiveness of Czech economy and the performance of Czech industry at the European level and contribute to the fulfilment of the Competitive Czech Economy strategic objective of the NSRF. This OP supports establishment and development of enterprises, improvement of services for businesses, use of modern technologies, cooperation between public and private sector in research and development and transfer of their results to the business community. The OPEI is composed of seven priority axes and it is co-financed by the ERDF. For the period 2007 – 2013, it received allocated the amount of EUR 3,041,312,546 (11.29 %) and thus it is the third largest Operational Programme. The Managing Authority of the OPEI is the *Ministry of Industry*

<sup>159</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. *Finanční tabulka NSRR – indikativní roční alokace podle fondů a programů (EUR, běžné ceny)* [online]. 2007b. [cit. 2012-03-22]. Available from: <http://www.strukturalni-fondy.cz/getmedia/aebef070-3cdd-410e-9cf9-b999e0c316f5/Podrobne-rozlozeni-alokace-podle-programu-a-fondu>.

and Trade and the intermediary bodies are *CzechInvest*, *CzechTrade*, *Czech Export Agency* and *Czech-Moravian Guarantee and Development Bank*.<sup>160</sup>

*The Operational Programme Research and Development for Innovation* (OPRDI) helps to strengthen competitiveness of the Czech Republic by promoting knowledge-based economy and contributing to the achievement of the Competitive Czech Economy strategic objective. Its general objective is to strengthen research and innovation potential for long-term economic growth and new jobs creation through universities and research institutions. Interventions under this OP promote construction and modernization of new research facilities, including investments in new technologies and improvement of the quality of tertiary education. The OPRDI is implemented through four priority axes. It is financed by the ERDF amount of EUR 2,070,680,884 (7.69 %) and its Managing Authority is *the Ministry of Education, Youth and Sports*.<sup>161</sup>

*The Operational Programme Transport* (OPT) is the largest Operational Programme in the period 2007 – 2013. This programme aims to contribute to the Attractive Environment strategic objective through improvement and extension of railway, road and waterway infrastructure of national importance in the so-called Trans-European Transport Network (TEN-T) as well as regional infrastructure. Another part of the OPT global objective is also promoting investment in multimodal transport and green urban transport, all in accordance with the principle of sustainable development. The OPT must also be consistent with transport interventions within the ROPs and one of its priority axes intervenes in transport infrastructure in the capital city of Prague. The OPT is financed by the ERDF and the CF. The ERDF focuses its resources on promoting projects of regional significance while the Cohesion Fund finance usually larger infrastructure projects under the TEN-T. Both funds then contribute to this OP by the amount of EUR 5,774,081,203 (21.44 %). The Managing Authority is *the Ministry of Transport* and the intermediate body is the State Transport Infrastructure Fund.<sup>162</sup>

The global objective of *the Operational Programme Environment* (OPE) is improvement of the status and protection of environment and health of the population and thus it fulfils the Attractive Environment strategic objective of the NSRF. It is a tool for implementation of projects, whose goal is to improve the status and protection of water, soil and air. The

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<sup>160</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2007a, ref. 158.

<sup>161</sup> Ibidem.

<sup>162</sup> Ibidem.

OPE supports projects focused on waste management, pollution clean-up, landscape conservation, use of renewable energy, building insulation or education related to environmental issues. The OPE is divided into eight priority axes and it can be co-financed by the ERDF and the CF. It is the second largest Operational Programme in the Czech Republic with a total amount of EUR 4,917,867,098 (18.26 %). The managing authority is *the Ministry of Environment* and the intermediate body is the State Environmental Fund.<sup>163</sup>

*The Operational Programme Human Resources and Employment (OPHRE)* is one of the three Operational Programmes in the Czech Republic which are co-financed from the ESF. It focuses its resources primarily on labour market issues. Its general objective is to increase employment and employability of population to the level of the best EU countries, thus contributing to the implementation of the Open, Flexible and Cohesive Society strategic objective and the Competitive Czech Economy strategic objective of the NSRF. The OPHRE supports active labour market policy and reduction of unemployment through promotion of vocational education, improvement efficiency of public administration, integration of socially excluded people back into society and international cooperation in the field of human resources. The OP Human Resources and Employment is called multi-objective Operational Programme i.e., that its resources can be used also for interventions in the Regional competitiveness and employment objective, it means for the NUTS 2 Prague. Implementation of projects is realized through six priority axes. For this OP was earmarked the amount of EUR 1,837,421,405 (6.82 %) and its Managing Authority is *the Ministry of Labour and Social Affairs*.<sup>164</sup>

*The Operational Programme Education for Competitiveness (OPEC)* is also a multi-objective OP which is managed by *the Ministry of Education, Youth and Sports* and it is funded by the ESF. The global objective of the OPEC is development of educational society in order to strengthen the competitiveness of the Czech Republic. This objective is achieved through development and improvement of the primary and tertiary education, improvement of conditions in research and development, increase of adaptability and flexibility of human resources and labour market needs and a lifelong learning system. The fulfilment of these tasks is to support an achievement of the Open, Flexible and Cohesive Society strategic objective and the Competitive Czech Economy strategic objective. The

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<sup>163</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2007a, ref. 158.

<sup>164</sup> Ibidem.

contribution from the ESF for this Operational Programme, which is composed of five priority axes, reaches to total of EUR 1,828,714,781 (6.79 %).<sup>165</sup>

*The Integrated Operational Programme (IOP)* is aimed to solve common regional problems in infrastructure that is used for public administration, public services and regional development. The Integrated OP has six priority axes that focus on modernization and improvement of the quality of public services, infrastructure development in the fields of tourism, culture, health care, introduction of ICT to lower levels of public administration, etc. It is the complementary programme for all Thematic and Regional Operational Programmes with a total allocation of EUR 1,582,390,986 (5.88 %). It is also another multi-objective Operational Programme which is managed by *the Ministry of Regional Development*.<sup>166</sup>

The global objective of *the Operational Programme Technical Assistance (OPTA)* is designed to provide technical support for the implementation of the National Strategic Reference Framework 2007 – 2013. Its mission is to promote management, control, monitoring and evaluation of the implementation of the EU Cohesion Policy in the Czech Republic and activities associated with the use of EU Funds. It is another complementary Operational Programme under the auspices of *the Ministry for Regional Development* and its Intermediary Body is the Centre for Regional Development. The OP Technical Assistance is implemented through four priority axes, while the fourth priority axis aims to promote awareness and preparation for the programming period 2014 – 2020. The OPTA is the last of multi-objective Operational Programmes and it has the amount of EUR 247,783,172 (0.92 %).<sup>167</sup>

The **Regional Operational Programmes (ROP)** are always focused on a specific cohesion region and their tasks are addressed and responded to their specific problems. The global objective of the Regional Operational Programmes is development of regions, strengthening their competitiveness and increasing their attractiveness for businesses, foreign investors and tourists, raising the standard of living of its people and the environment and also improvement of accessibility among and within regions. Therefore, each Regional Operational Programme has several priority axes which are mostly oriented to improve accessibility of region, development of tourism, sustainable development of

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<sup>165</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2007a, ref. 158.

<sup>166</sup> Ibidem.

<sup>167</sup> Ibidem.



urban and rural areas, support prosperity of the region, etc. All Regional Operational Programmes are co-financed by the ERDF in the total amount of EUR 4,659,031,986 (17.3%). The list of individual Operational Programmes shows the Figure 4.2, and their allocations from the ERDF are published in Appendix 9. Each ROP has its own Managing Authority called *the Regional Council of the Cohesion Region*.<sup>168</sup>

The *Regional Competitiveness and Employment objective* is represented by the single NUTS 2 region the capital city of Prague, whose development is based on two Operational Programmes which are financed from the ERDF and ESF. The Prague region can also draw finances from the multi-objectives Operational Programmes mentioned above. It is the OP Environment, the OP Human Resources and Employment, the OP Education for Competitiveness, the OP Technical Assistance and one priority axis of the OP Transport which is earmarked for the construction of the Prague underground. The amount for Prague under the Regional competitiveness and employment objective is EUR 343,321,247 (1.27 %) and the Managing Authority of the both OP is *the Prague City Hall*. The *OP Prague – Competitiveness* is focused to enhance transport and telecommunications services in the capital, improve the environment and increase its competitiveness through business support and development of innovative potential. Four priority axes of this Operational Programme dispose of the amount of EUR 234,936,005. The global objective of the *OP Prague – Adaptability* is to increase competitiveness of Prague through strengthening adaptability and performance of human resources. This objective should be achieved through support of non-investment projects which are aimed at promoting employment and expansion of human resources in research and development, education and social integration. The *OP Prague – Adaptability* is funded by the ESF through four priority axes in the amount of EUR 108,385,242 (0.40 %).<sup>169</sup>

Because *the European territorial cooperation objective* consists of cross-border, transnational and interregional cooperation, then it must correspond to the composition of its Operational Programmes. This objective has international scope of the EU, so not all Operational Programmes are administered by the Czech Managing Authorities. The European territorial cooperation objective is financed by the ERDF. The Czech Republic joins seven Operational Programmes and two Network Operating Programmes. For this objective has been allocated the amount of EUR 389,051,107 (1.44 %) for the Czech

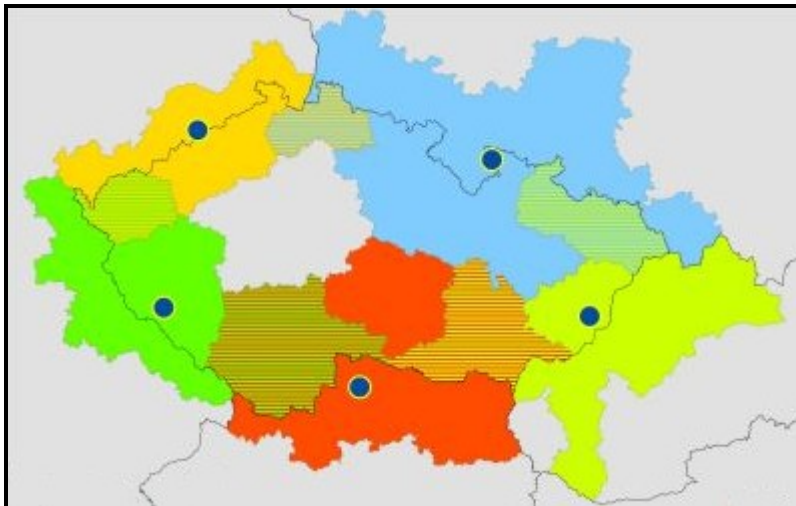
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<sup>168</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2007a, ref. 158.

<sup>169</sup> Ibidem.

Republic in the programming period 2007 – 2013.<sup>170</sup> *The Cross-border cooperation Operational Programmes* (CBC) concern each NUTS III border region neighbouring other EU Member State. The Czech Republic has the CBC Operational Programmes together with Poland, Saxony, Bavaria, Austria and Slovakia as shows the Figure 4.3. The aim of these Operational Programmes is to focus on problems that plague the regions on both sides of borders. Interventions are concentrating on development of ICT, construction of cross-border transport infrastructure, cooperation in education, research and development, innovation, employment, social integration, environmental protection, tourism, border security, etc. The Czech Ministry of Regional Development manages only one of all Cross-border cooperation Operational Programmes which is the CBC CZ-Poland. Other programmes are managed by foreign authorities, as it is shown in Enclosure 9.

**Figure 4.3: The cross-border regions in the Czech Republic**



Source: EUROPEAN COMMISSION [online], 2013g

The Czech Republic is involved in *the Operational Programme Central Europe* that concentrates on increasing the competitiveness of Central Europe countries through establishing cooperation in the fields of environment, infrastructure, urban development and attractiveness of the region or innovation under the transnational cooperation. The OP Central Europe includes the Czech Republic, Austria, Slovakia, Slovenia, Poland, Hungary and the part of Germany, Italy and Ukraine. The total amount from the ERDF for this OP was earmarked EUR 246,011,074 and its Managing Authority is located in Vienna. *The Interregional Cooperation Programme* includes all EU Member States, Norway and Switzerland and its headquarters is placed in Lille. It is financed by the ERDF and there was allocated EUR 321,321,762 for the period 2007 – 2013. The aim of this OP is to

<sup>170</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2007a, ref. 158.

develop cooperation and exchange of experience among regions in matters research and innovation, small and medium-sized enterprises, environmental protection, etc.

#### 4.2.5 Financial allocation of the EU Funds for the Czech Republic in 2007 – 2013

The Czech Republic has available **EUR 26,928,702,216** from the EU Funds in the period 2007 – 2013 and generally presents itself as a pure recipient. For successful utilization of the EU Funds, the Czech government must also add approximately **four billion Eur** from its national budget. The Czech Republic falls within all three objectives and it is using the ERDF, the ESF and the Cohesion Fund assistance. For the Convergence objective, there is earmarked the amount of EUR 25,959,284,061 which represents 79.1 % of the total allocation for the Czech Republic. The interventions under the Regional competitiveness and employment objective can draw the amount of EUR 389,051,107 which is 1.27 % of the total allocation and for the European territorial cooperation objective remain the amount of EUR 389,051,107. The distribution of the EU Funds for the Czech Republic by the individual fund is as follows:<sup>171</sup>

- **European Regional Development Fund (ERDF)** – EUR 14,098,112,548,
- **European Social Fund (ESF)** – EUR 3,774,521,428,
- **Cohesion Fund (CF)** – EUR 8,819,022,439.

In 2011, the European Commission issued a **revision of the financial framework** for the period 2007 – 2013. Due to the Czech undervalued estimates of development of the GDP in 2005, when the financial framework for the period 2007 – 2013 was created, the Czech Republic received an additional EUR 237,045,801 which is 0.88 % of the total allocation. The Czech Republic had surpassed the estimates of GDP like Poland and Slovakia. Additional funds were divided equally between the years 2011, 2012 and 2013. The Czech Republic decides by itself, in which areas the additional funds will be allocated. This additional assistance is usually obtained by those Operational Programmes that are implemented very well at the drawing of EU subsidies.<sup>172</sup>

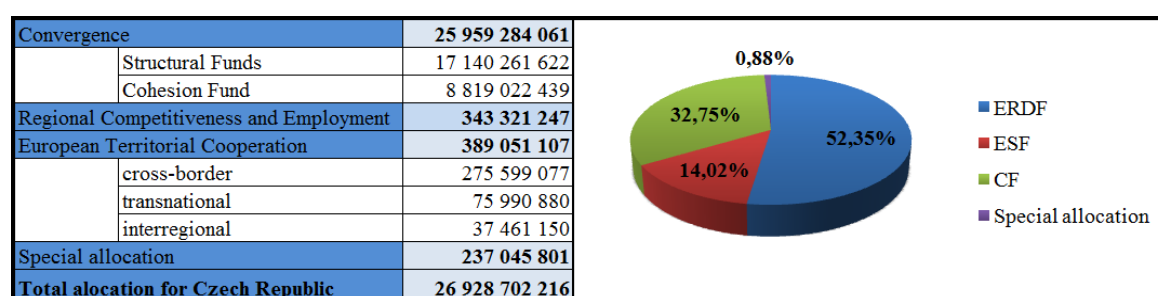
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<sup>171</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. Konečná alokace zdrojů fondů EU pro Českou republiku v období 2007 – 2013. *Mmr.cz* [online]. 2013c [cit. 2013-03-14]. Available from: <http://www.strukturalni-fondy.cz/cs/Fondy-EU/Informace-o-fondech-EU/Dokumenty/Legislativa/Konecna-alokace-zdroju-fondu-EU-pro-Ceskou-republi>.

<sup>172</sup> EUROPEAN COMMISSION. *Communication from the Commission to the European Parliament and the Council on the technical adjustment of the financial framework for 2011 in line with movements in GNI, including the adjustment of amount s allocated from funds supporting cohesion to the Member States concerned by divergence between estimated and actual GDP for the period 2007-2009* [online]. 2010b [cit. 2013-03-16]. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0160:FIN:EN:PDF>.

By the end of 2012, there was provided to beneficiaries more than 81.4 % of the assistance from the EU Funds that represents the amount of EUR 21.73 billion since 2007. Resources paid by the Czech Ministry of Finance have reached 51.7 % i.e., EUR 13.8 billion and they were certified for EC of 29.4 %, giving an amount of EUR 7.85 billion. The flow of finances was increased and speeded up, especially due to the closing and completion of many projects during the 2012. Only within this year, there were signed more than 6,500 contracts in the amount of EUR 2.7 billion. The Ministry of Finance paid EUR 3.36 billion i.e., 12.58 % of the total allocation for the Czech Republic and the certified payments for the European Commission reaching the amount of EUR 3.2 billion. By the end of 2012, it was also managed meeting the **N+3 rule** and a drawing limit by all Operational Programmes i.e., the Czech Republic did not lose any resources from EU Funds. Specific allocation for each objective and the volume of finances in each fund in percentage is given in Figure 4.4.<sup>173</sup>

**Figure 4.4: The EU financial allocation for the Czech Republic by objective and fund**



Source: MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2013c; own elaboration, 2013

#### 4.2.6 The role of the Czech public sector authorities in the implementation of the EU Cohesion Policy

Clear rules, roles and tasks must be determined for public authorities for the implementation of activities because each EU Member State bears the main responsibility for the implementation of the EU Cohesion Policy. The functioning of each authority involved in these activities has been presented in chapter 3.5.4. This chapter shall introduce the public institutions that perform these roles in the Czech Republic. The institution, which bears the greatest responsibility for implementation of the EU Cohesion Policy, is the *Ministry of Regional Development* that serves as the **National Coordination Authority** of the NSRF. This Ministry is in charge of the agenda i.e., from preparation to

<sup>173</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. *Měsíční monitorovací zpráva o průběhu čerpání strukturálních fondů, fondu soudržnosti a národních zdrojů v programovém období 2007 – 2013* [online]. 2013 [cit. 2012-03-26]. Available from: [http://www.strukturalni-fondy.cz/getmedia/9ff0b0b3-d2cf-47a8-ad5c-7e2f07e98a3a/MMZ\\_2013\\_01.pdf](http://www.strukturalni-fondy.cz/getmedia/9ff0b0b3-d2cf-47a8-ad5c-7e2f07e98a3a/MMZ_2013_01.pdf).

implementation, control, monitoring, evaluation, creation the unified methodology and framework for the use of EU Funds, it provides information about all aspects of the policy at national and European level. Remember that even though the National Coordination Authority carries out activities related to the implementation of the current programming period 2007 – 2013, it has closed procedures and ex-post evaluation of the previous programming period and since 2010 has been addressing the preparation of future programming period.

**The Managing Authorities** operate at level of implementation of Operational Programmes and they are responsible for selection of projects and surveillance. The highest executive body is Managing and Coordinating Committee that is responsible for running of the Operational Programme. The Ministries whose agenda corresponds to orientation of the Operational Programme operate at the level of the TOPs. For implementing the ROPs, the responsibility belongs to the Regional Councils as it is pictured in Enclosure 9. Some of the Managing Authorities create their **Intermediary Bodies** which then delegate part of their work. These activities are usually associated to administration of projects and advice provision and information about the Operational Programme. The Intermediary Bodies function only in the Thematic Operational Programmes and usually involve various agencies, state funds, labour offices, etc. Each Operational Programme has also a **Monitoring Committee** to address emerging problems and procedural changes to the Operational Programme together with the Managing Authority. The role of the **Paying and Certifying Authority** performs *the National Fund Department of the Ministry of Finances* of the Czech Republic. It pays for projects through their Intermediary Bodies management or directly from the state budget. Subsequently, it asks the European Commission for reimbursement of these contributions on its own account. *The Ministry of Finance* provides all financial flows from the EU Funds from the European Commission to support the beneficiaries. The function of the Audit Authority fulfils *the Central Harmonization Unit for Financial Control* which is also located in the Ministry of Finance. This Central Unit executes audits of management and control system of Operational Programmes and conducts audits of projects and payments in all phases of the programming period 2007 – 2013.<sup>174</sup>

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<sup>174</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. Management of EU Funds. *Mmr.cz* [online]. 2013d [cit. 2013-03-15]. Available from: <http://www.strukturalni-fondy.cz/en/Fondy-EU/Informace-o-fondech-EU/Rizeni-fondu-EU>.

In the Czech Republic, there are not spare situations when it came to the abuse of cohesion policy, to corruption and enrichment of some private entities from public funds. On the one hand, there is the complexity and administrative burden of implementation of economic and social cohesion, so there are various procedural and administrative failures and faults. During the programming period 2007 – 2013, most Operational Programmes has had such problems. However, these facts are usually explained and they are not serious enough to suspend the payments of funds to the Operational Programme. On the other hand, there were detected cases of corruption. Mostly, they are draining money for unrealized projects, exorbitant prices of public procurement, etc. Sometimes it also shows the sheer redundancy and uselessness of some projects. The OP Transport, the OP Environment, the OP Education for Competitiveness, the OP Cross-Border Cooperation Czech Republic – Poland, the Integrated Operational Programme, the Enterprise for Innovation OP, the OP Research and Development for Innovation etc., had their payments suspended. At present it is the ROP Central Bohemia, the ROP North-West and the ROP South-West who has these troubles. Some of them actually revealed corruption which is not credit to the Czech Republic in the EU. Similar problems occur in most, if not, in all EU Member States.<sup>175</sup>

### **4.3 The EU Cohesion Policy in the Czech Republic in programming period 2014 – 2020**

The European Union is currently facing internal and external challenges as globalization, economic and trade growth of developing countries, demographic decline, economic stagnation, loss of confidence in the democracy and European integration programme. The Czech Republic is in the middle of all the action, not only geographically, but also because it is economically dependent on its European partners. The EU Cohesion Policy in the period 2014 – 2020 should help the Czech Republic pass through this uncertain time without negative events and bring it on a new growth trajectory based on a well-educated population and innovative economy that will be characterized by social cohesion and sustainable development. The main challenge for the Czech Republic is stagnation of economic growth which is reflected primarily on unemployment and thus on social conditions of the population. Another problem is the low quality of business environment and low cooperation between business sector and universities. This is caused by under-funded educational system and its low quality and passive role in business innovation. The Czech Republic also insufficiently uses its strategic location in the middle of the EU for

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<sup>175</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2013, ref. 173.

development of transport and energy infrastructure. This is related to deficiencies in the environmental field. A major political problem is a low efficiency and high degree of bureaucracy of Czech public administration that is topped by a long and unsolved problem of corruption.<sup>176</sup>

#### 4.3.1 Preparation of the EU Cohesion Policy 2014 – 2020 in the Czech Republic

After the release of *the 5th Cohesion Report* in the 2010, the discussions about the form of the EU Cohesion Policy in the future programming period has already started. These talks have been taking place within individual EU institutions as well as through the so-called **Framework Positions**. It is a document where one negotiating part presents its suggestions, ideas, strategies, etc., whether it is a governing authority of a EU Member State or the Commission. The member states began to write their proposals on their developing strategies, Partnership Contracts and Operational Programmes after the release of *the General Proposal on the Cohesion Policy 2014 – 2020*. In the near future, final draft of all EU regulations that relate to the EU Cohesion Policy should be approved by the European Parliament and there are intensive negotiations between the Czech Republic and the European Commission about the form of the Partnership Contract and the Operational Programmes.

In June 2011, the Ministry for Regional Development published document which represents **national development priorities of the Czech Republic after 2013**. This document was developed in cooperation with all partners and it is based on many analyzes and strategies at national and European level. These priorities initiate creation of other strategies prepared for the period 2014 – 2020 and the focus of drawing from the EU Funds. **There are five priorities for the Czech Republic:**<sup>177</sup>

- **Increasing the competitiveness of economy** – for growth of the Czech economy towards a knowledge-based economy (R&D and Innovations) and development of business activities and educated and flexible workforce.

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<sup>176</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. Příprava programového období 2014-2020 na národní úrovni – Česká republika. *Mmr.cz* [online]. 2013f [cit. 2013-03-20]. Available from: <http://www.mmr.cz/cs/Systemove-stranky/Vyhledavani?searchtext=P%C5%99%C3%ADprava+programov%C3%A9ho+obdob%C3%AD+2014-2020+na+n%C3%A1rodn%C3%AD+%C3%BArovn%C3%AD&searchmode=anyword>.

<sup>177</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION. Národní rozvojové priority České republiky pro období 2014+. *Rr-moravskoslezsko.cz* [online]. 2013b [cit. 2013-03-15]. Available from: <http://www.rr-moravskoslezsko.cz/eu2014/narodni-rozvojove-priority-cr-pro-obdobi-2014>.

- **Development of infrastructure of national significance** – improving competitiveness of the Czech Republic and a an increase in living standards of population through creation of functional transport, environmental, energy and information infrastructure.
- **Improving the quality and efficiency of public administration** – for growth and efficiency of public administration and a provision of quality public services.
- **Promoting inclusion, health care system and fighting poverty** – increasing a social inclusion of vulnerable groups and their reintegration into the labour market and improving the quality of health.
- **Integrated area development** – to ensure a balanced development of the territory, reducing regional disparities, promotion of regional potential for growth of competitiveness for observance of the principle of sustainable development and equal opportunities.

*The Ministry of Regional Development* will constitute National Coordination Authority for the implementation of the EU Cohesion Policy in future programming period again. Therefore, the Ministry has issued a new concept of the Regional Development Strategy 2014 – 2020 that will form a basis for regional policy in the Czech Republic in the next few years. This is again a mid-term document that defines main goals and themes of regional development which is linked to national (Strategy for Sustainable Development, the National Reform Programme, etc.) and European strategic documents (the Europe 2020 Strategy, the Regulations on future Cohesion Policy etc.). The new Regional Development Strategy describes the current state of socio-economic development of the Czech Republic and analyzes its development opportunities. Under this strategy, the long-term vision for the development of the Czech Republic, has to go the way of solving the above mentioned problems. The Czech Republic wants to develop itself in sustainable way into a competitive country that knows how to take advantage of its geographical position with functional links between urban and rural areas. **The global objective** of *the Regional Development Strategy 2014 – 2020* is to provide a dynamic and balanced development of the territory of the Czech Republic with regards to the quality of life and the environment,



contribute to reduction of regional disparities while enabling the use of local potential for strengthening the competitiveness of regional administrative units.<sup>178</sup>

The Regional Development Strategy 2014 – 2020 creates **four strategic objectives**. Every objective has its own priority axis which includes several regional development priorities, as the in Enclosure 10 shows. The first priority axis of regional development for the period 2014 – 2020 is **the Regional Competitiveness**. Its aim is to support science, research and innovation and human resource development. The second priority axis of the Regional Development Strategy 2014 – 2020 is **the Territorial Cohesion**. In recent years, there has been a considerable divergence of economic performance of a region as well as between urban and rural areas. Therefore, it is necessary to react to the deepening socio-economic inequalities, especially in the most affected regions of the Czech Republic. **The Environmental Sustainability** is the third priority axis. It will focus on the correction of negative impacts on intensively used areas because the socio-economic development has to be aligned with environmental principles. The last priority axis concerns **the Governance and Cooperation** and it is reflected in all the previous priority axes, because only functional and efficient public administration will increase competitiveness of business sector and can also provide adequate public services.<sup>179</sup>

Since the introduction of territorial cohesion in *the Lisbon Treaty*, there is an emphasis on the territorial dimension of the EU Cohesion Policy. Strengthening this level should be implemented in the programming period 2014 – 2020 by use of integrated strategic approach at the regional level. The anticipated benefit lies in solving of regional problems through the material, time and territorial approach of all interventions that are implemented according to the specific needs of each region. In the future of cohesion policy, the implementation of integrated approach can acquire three forms:<sup>180</sup>

- Integrated Territorial Investment (ITI),
- Integrated Area Development Plan,
- Joint Action Plan (JAP).

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<sup>178</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. Strategie regionálního rozvoje ČR pro období 2014 – 2020 [online]. 2012a [cit. 2013-03-20]. Available from: [http://www.strukturalni-fondy.cz/getmedia/1a45435f-fc8d-45ad-80ef-0584600c86ac/SRR-2014-2020-\\_komplet-navrh\\_15-10.pdf](http://www.strukturalni-fondy.cz/getmedia/1a45435f-fc8d-45ad-80ef-0584600c86ac/SRR-2014-2020-_komplet-navrh_15-10.pdf).

<sup>179</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2012a, ref. 178.

<sup>180</sup> Ibidem.

*The Integrated Territorial Investment* should be financed from more than one priority axis of the Operational Programme and also from more EU Funds. In addition, the Regulation on the ERDF orders to each EU Member State to allocate 5 % of the Fund in sustainable urban development. The ITI will be in charge of special intermediary body of public administration. **The Integrated Area Development Plan** analyzes the specific problems and needs of a defined area or sector of a region where will be carried out the strategic interventions. This approach requires additions of private or business resources. **The Joint Action Plan** constitutes an implementation of several projects under the Operational Programme by one public authority. This method of integrated measures implementation can be used only for the interventions in the amount of EUR 10 million, or up to 20 % of resources of the Operational Programme and it is designed especially for Operational Programmes which are funded by the ESF.<sup>181</sup>

#### **4.3.2 Goals and geographical coverage of structural aid in the Czech Republic**

For the implementation of the EU Cohesion Policy in the programming period 2014 – 2020, there were created two objectives and three types of regions. The objective of *the Investments for growth and jobs* includes all three types of regions but the Czech Republic has only two of them: the Less developed regions and one More developed region. The Nomenclature of Territorial Units for Statistics (NUTS) will have no changes but only the names of regions will be changed. The Less developed regions covers all NUTS 2 regions of the Czech Republic excluding the Capital City of Prague. The Czech Republic has no Transition region because none of them does exceed from 75 % to 90 % of the average GDP of the EU-27 for the reference period 2007 to 2009 as it is pictured in Table 4.1. However, the Central Bohemia region has been very close to the average. This is caused by the proximity of Prague as it is driving force of economic development. The South-East region was also close to reach the Transition region. There is the second largest city of the Czech Republic in its centre, Brno, and its northern part is within reach of Prague. Comparing Table 4.1 and Table 4.2, we can trace the growth of economic power of the Czech economy from the period 2000 – 2009 in all regions.

*The objective of the European territorial cooperation* remains in its original form. It is covered by the ERDF and it is divided into the cross-border, transnational and interregional cooperation. All cross-border regions remain in the cross-border cooperation such as the Czech Republic – Austria, the Czech Republic – Slovakia, the Czech Republic – Poland,

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<sup>181</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2012a, ref. 178.

the Czech Republic – Sachsen and the Czech Republic – Bayern as well as thirteen transnational regions under the transnational cooperation and the interregional cooperation that is realized for all EU Member Countries again.

**Table 4.2: GDP in PPS per inhabitant in percentage of the EU average by Czech NUTS 2 regions in the period 2007 – 2009**

Region/Year	2007	2008	2009
Prague	171	175	175
Central Bohemia	74	75	74
South-West	71	68	71
North-West	63	63	67
North-East	66	65	67
South-East	71	73	75
Central Moravia	62	64	66
Moravia-Silesia	67	69	68

Source: EUROPEAN COMMISSION. [online], 2013e; own elaboration, 2013

#### 4.3.3 The Proposal of the Partnership Contract

*The Partnership Contract* will fulfill similar role in the programming period 2014 – 2020 as the NSRF in the current period. As the highest national document for cohesion policy creates a link between priorities and needs identified in several strategic documents of the Czech Republic, such as the International Competitiveness Strategy, the Regional Development Strategy 2014 – 2020, National Development Priorities, the National Reform Programme etc., as well as the thematic objectives set in the Europe 2020 Strategy. The Partnership Contract is the strategic document of the Czech Republic which proposes Operational Programmes and their implementation. The Ministry of Regional Development has defined the principles of programming period 2014 – 2020 so as to implement guidelines for the future use of the EU Funds which includes creation a favorable business environment and inclusive society. For this reason, there were constructed **four principles**:<sup>182</sup>

- **Strategic focus and linking principle** – the Operational Programmes will support the National Development Priorities which will be constructed with real and measurable results that will be mutually complementary geographically and thematically.

<sup>182</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2013f, ref. 176.

- **Promote market functioning principle** – the Operational Programmes will promote sectors where is no market environment by involving financial instruments and private assets.
- **Support quality projects principle** – the Operational Programmes will support projects that will be proven in all phases of implementation achieving set milestones.
- **Easier management and implementation of projects principle** – the Operational Programmes will be created so that beneficiaries can submit and implement their projects faster and easier. The fulfillment of this principle also helps to increase the quality and performance of implementing authorities of Operational Programmes.

*The Partnership Contract* contents is very similar to the National Strategic Reference Framework created for the period 2007 – 2013 and it is also divided into two parts. The analytical part represents development needs and explores the potential growth of the Czech economy and in the SWOT analysis summarizes the state of the Czech economy and society. In conclusion of the analytical part, there is performed the ex-ante evaluation of the Partnership Contract and the Operational Programmes. The National Development Priorities were elaborated into eight thematic areas that transfer the EU Cohesion Policy objectives into the Czech Thematic Operational Programmes, as the Enclosure 11 shows. Each thematic area will have their indicators of the use efficiency of the EU Funds and to track achieved milestones. The monitoring of milestones is important for the option of using the performance reserve. There are specified **eight thematic areas**:<sup>183</sup>

- 1) Labour Market and Education,
- 2) Functional Research and Innovation System,
- 3) Competitive Businesses,
- 4) Mobility, Accessibility and Energy Networks,
- 5) Effective Government and Institutions,
- 6) Integrated Territorial Development,
- 7) Fighting Poverty, Social Inclusion and Health,
- 8) Environment.

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<sup>183</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. *Podklad pro přípravu Dohody o partnerství pro programové období 2014 – 2020 – Vymezení programů a další posup při přípravě České republiky pro efektivní čerpání fondů Společného strategického rámce* [online]. 2012b [cit. 2012-03-20]. Available from: <http://www.mmr.cz/getmedia/65d8e201-ab8b-4423-98b0-98f7e516287b/Podklad-pro-Dohodu-o-partnerstvi-%282%29.pdf>.

#### 4.3.4 The Proposals of the Operational Programmes of the Czech Republic for period 2014 – 2020

The Operational Programmes should be based on requirements of all European and national strategic documents in the period 2014 – 2020. They have to respond to the goals and conditions in the Europe 2020 Strategy, the Common Strategic Framework, the Regulations, the Partnership Contract, the Regional Development Strategy, etc. The preparation of Operational Programmes is coordinated by the National Coordination Authority for which *the Ministry of the Regional Development* has been selected. The elaboration of the Operational Programmes is then charged on each of the Managing Authorities and it must involve all partners who will relate to the Operational Programme in future periods such as regional authorities and municipalities, local communities, the voluntary sector, chambers of commerce and associations and also applicants for subsidies from EU Funds. Particular emphasis is put on the fact that the *Thematic Operational Programmes* must have the **regional dimension** because there is **only one Regional Operational Programme** in the Czech Republic for the period 2014 – 2020. Due to new conditions introduced in the EU Regulations on future Cohesion Policy, there will be successful, only those projects that respond to the current needs and problems and that will be in accordance with the thematic objectives and will have measurable outcomes.<sup>184</sup>

The reduction of the Operational Programmes and their simplification have been done because of the negative experience with the efficiency of the EU Funds drawing in the current programming period. There is a complicated structure of the OPs and small personnel capacity of audits, controlling, managing and many others. The new approach should bring greater responsibility and easier management i.e., greater efficiency and transparency in the use of the EU Funds. The Ministry of Regional Development has proposed a total of **15 Operational Programmes** for the period 2014 – 2020. Only one Operational Programme will be for More developed region and the others will support Less developed regions. The Czech Republic will be able to use all three EU Funds of the EU Cohesion Policy in the future programming period. The content of the future Operational Programmes is very similar to present form.<sup>185</sup>

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<sup>184</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2012b, ref. 183.

<sup>185</sup> Ibidem.

For better clarification, there will be Operational Programmes presented by the objective and type of NUTS 2 region. Under the *Investments for growth and job goal*, there are six thematic Operational Programmes, one OP for Prague and one Integrated Regional Operational Programme. *The Operational Programme Entrepreneurship and Innovation for Competitiveness* (OPEIC) will support Small and Medium-sized Enterprises, their efficiency and connectivity through their supply chains with big companies and their involvement to international projects and global distribution chains. A promotion of innovations lays in linking results of research with a business community which will be used for commercial purposes. To increase the efficiency of the business sector is important to reduce production costs. Therefore, this Operational Programme will help projects to reduce energy consumption, reconstruct and develop heat supply systems and technologies for emissions reduction. The development of ICT will also contribute to increase the competitiveness of Czech companies. The regional dimension of OPEIC will primarily consist in supporting of SMEs in structurally affected regions and in developing the innovative clusters. There is expected an involvement of the Connecting Europe Facility particularly in the area of expanding energy infrastructure. Managing Authority of this Programme will be *the Ministry of Industry and Trade* and it will be co-financed by ERDF.<sup>186</sup>

*The Operational Programme Research, Development and Education* (OPRDE) aims to generate a knowledge-based economy in the Czech Republic i.e., an economy based on educated human resources, a use of modern technologies, production of research results and their application in the commercial sector. The goal in education is to transform and modernize the outdated education system and create equal opportunities for socially disadvantaged children and children with special educational needs. The task of this Operational Programme will also get more public investments in science and research. This OP will be possible finance by the ERDF and the ESF. This combination is important because while the ERDF will support capital investment in a development of research centers, the ESF will create opportunities for investment in human resources and improving the quality of education. The regional dimension will be based on enhancement of regional advantages in fields of science, research, innovation and education. Newly, the OPRDE will concentrate its sources on an international mobility of so-called brains and an

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<sup>186</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2012b, ref. 183.

involvement of the Czech Republic in international research. The authority in charge of this Operational Programme should be *the Ministry of Education, Youth and Sports*.<sup>187</sup>

*The Operational Programme Transport* (OPT) will be managed by the Ministry of Transport and it is expected to be the largest programme in size of funds again. This Operational Programme will continue to focus on the construction and a modernization of transport infrastructure of all types, particularly the completion of the Trans-Europe Network – Transport (TEN-T) and connecting regional centers by strategic transport infrastructure. Newly, the OPT will concentrate on a use of intelligent transportation management solutions, including the services of the Galileo Programme. This Operational Programme will be financed in the same way as in the period 2007 – 2013, it means from the ERDF and the CF.<sup>188</sup>

The protection of all components of the environment, healthy living environment for inhabitants, efficient use of natural resources, elimination of the impact of human activities on the environment and reducing the impact of climate change, that all will be a challenge for *the Operational Programme Environment* (OPE). *The Ministry of Environment* will be its Managing Authority and it will be financed by the ERDF and the CF. The projects should also support areas of emissions reduction, energy savings in public buildings, efficient waste management, etc. At the regional level, this Operational Programme will focus on completing the reconstruction of the network and sewage treatment, recovery and waste treatment and revitalization of urban areas.<sup>189</sup>

The proposal of *the Operational Programme Employment* aims its options on tasks associated with ensuring the effective functioning of the labour market and improving the quality of public administration system in this field to create conditions for lifelong learning, reduce social exclusion and integrating disadvantaged groups to the labour market. An important element will be the effort to coordinate actions that have an impact just on the labour market, such as education, social inclusion, anti-poverty, equal opportunities and health of the population and that should be a long-term coordinated throughout the Czech Republic. In employment, there are huge disparities between the regions. Therefore, the programme should have more focus on Less developed regions.

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<sup>187</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2012b, ref. 183.

<sup>188</sup> Ibidem.

<sup>189</sup> Ibidem.

The Managing Authority of this OP will be *the Ministry of Labour and Social Affairs*. This Operational Programme will be funded by the ESF.<sup>190</sup>

The last thematic Operational Programmes is *the OP Technical Assistance (OPTA)* which should be co-financed by the ERDF but there will be permitted to use any other fund, depending on the area in which the project will be involved. The OPTA tasks consist of creating a space for an implementation of horizontal activities for coordination of the programming period 2014 – 2020 in the Czech Republic. Its contents will be monitoring, data collection, creation of studies and analysis, application of the principle of partnership, etc. Its Managing Authority should be *the Ministry of Regional Development*.<sup>191</sup>

The biggest change in the Czech Operational Programmes is going to pass through the Regional Operational Programmes that will be merged into *the Integrated Regional Operational Programme (IROP)*. This step has reduced a number of the Operational Programmes very significantly. The Ministry of Regional Development hopes that this step will help to simplify and clarify funding of the Operational Programmes; it will have a uniform methodology, a management, a control and monitoring approach that will be guided by *the Ministry of Regional Development*. The IROP will especially focus on the reduction of still increasing regional socio-economic disparities among regions and therefore it will be necessary directed uniformly allocations of the EU Funds to the most affected regions. The IROP would be also ideal to apply an integrated approach. This Programme will namely gather national and regional interventions and projects under the OP which would have more effect amplify of the Thematic Operational Programmes. The Integrated Regional OP wants also focus its sources on a development of cities and their infrastructure because they are the holders of regional economic activity and employment. The IROP will aim to promote social services and improving the quality and accessibility of health care in the social area. In the environmental field then, it will be improving the quality of urban environment, enhancing energy efficiency of the public sector and housing and environmental liabilities. In the public sector, it will support the strengthening of the institutional capacity and greater use of ICT among the different sectors of the public institutions. Funds for the IROP will run only from the ERDF again.<sup>192</sup>

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<sup>190</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2012b, ref. 183.

<sup>191</sup> Ibidem.

<sup>192</sup> Ibidem.



The Capital City Prague is one of the Czech NUTS 2 regions which is included in the More developed regions. For the period 2014 – 2020, there will be only one Operational Programme for Prague called *the OP Prague - Pole of growth in the Czech Republic*. This OP will be funded from both Structural Funds and its Managing Authority will remain *the Prague City Hall*. The aim is to create conditions and space for effective implementation of investments in Prague which will lead to an increase of population living standard and to increase the competitiveness of the capital. The separated Operational Programme was created mainly due to the very different needs in comparison with other regions and also because it aims to create a real pole of the Czech economy growth which would bring investors and educated people and promote the growth in other regions of the Czech Republic. In the programming period 2007 – 2013, Prague has got two Operational Programmes financed by the ERDF and the ESF. They will both finance the future one. The funds will target a wide range of projects. The ERDF will support investments in infrastructure, science, research and innovation, ICT and SMEs. The ESF will focus primarily on the labour market and the quality of education.<sup>193</sup>

*The European territorial cooperation goal* in the period 2014 – 2020 should be almost the same as in the current period. This objective will be fulfilled due to the cross-border, multinational and interregional cooperation and it will be co-financed by the ERDF. In the Czech Republic run development will on the cross-border cooperation level through the same five Operational Programmes as well as in the current programming period i.e., *the Cross-border cooperation Operational Programme* CR-Poland, Slovakia-CR, Austria-CR, Bavaria-CR and Saxony-CR. *The Ministry of Regional Development* will be responsible just for the CBC OP CR-Poland again. The rest of them should be under the coordination of foreign national authorities. The contents of all Cross-border cooperation Operational Programmes are not known yet, because the negotiation of their proposals are being processed. The future CBC OPs will focus on four thematic objectives whose implementation will fulfill the mission of the operational programme in the next programming period 2014 – 2020.<sup>194</sup>

In the future programming period, the Czech Republic will join *the Multinational Operational Programme* that will be implemented in the Central Europe in cooperation with Austria, Poland, Slovakia, Slovenia, Hungary, part of Germany and Italy. The main

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<sup>193</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2012b, ref. 183.

<sup>194</sup> Ibidem.

objective of the Multinational Operational Programme remains in cooperation and solution of the common tasks at the multinational level. In *the Interregional Operational Programme* will be involved all EU countries again. Its goal remains the exchange of experience and cooperation in the areas of regional policy and sustainable urban development, analyzes and studies, etc. The Multinational Operational Programme as well as the Interregional Operational Programme will be able to draw support from the ERDF. This resources will be able to focus on four thematic objectives, respectively all thematic objectives. As well as in the programming period 2007 – 2013, these Operational Programmes will be managed by foreign authority in the future period and their contents are also part of negotiation. A summary of the Operational Programmes which will be realized in the Czech Republic is pictured in the Table 4.3.

**Table 4.3: The proposed structure of the Czech Operational Programmes in the programming period 2014 – 2020**

Objective	Operational Programme	EU Fund	Managing Authority
Investments for Growth and Jobs	Entrepreneurship and Innovation for Competitiveness	ERDF	Ministry of Industry and Trade
	Research, Development and Education	ERDF + ESF	Ministry of Education, Youth and Sports
	Transport	ERDF + CF	Ministry of Transport
	Environment	ERDF + CF	Ministry of Environment
	Employment	ESF	Ministry of Labour and Social Affairs
	Technical Assistance	ERDF	Ministry of Regional Development
	Integrated Regional Operational Programme	ERDF	Ministry of Regional Development
	Prague - Pole of Growth in the Czech Republic	ERDF + ESF	Capital City of Prague
European Territorial Cooperation	Cross-Border Cooperation CR-Poland	ERDF	Ministry of Regional Development
	Cross-Border Cooperation Slovakia-CR	ERDF	Minister of Transport, Construction and Regional Development of the Slovak Republic
	Cross-Border Cooperation Austria-CR	ERDF	Office of the Government of Lower Austria
	Cross-Border Cooperation Bavaria-CR	ERDF	Bavarian Ministry for Economic Affairs, Infrastructure, Transport and Technology
	Cross-Border Cooperation Saxony-CR	ERDF	Saxon State Chancellery
	Transnational Cooperation	ERDF	Office of the Provincial Government of Vienna
	Interregional Cooperation	ERDF	Northern Regional Council Pas de Calais

Source: MINISTRY OF REGIONAL DEVELOPMENT CZ [online], 2012b; own elaboration, 2013

#### 4.3.5 Expected Financial Allocation for the Czech Republic in the period 2014 – 2020

The **Multiannual financial framework** for the period 2014 – 2020 was agreed within the meeting of the European Council in February 2013. The EU Cohesion Policy has acquired amount of **EUR 325.149 billion**. This amount is further divided among the EU Member States and their regions. The Czech Republic has managed to negotiate the amount of **EUR 20.5 billion** for the next programming period. The Czech Republic reached the fourth place in the amount of the EU Funds per capita of all EU Member States. Just to remind, the amount received by the Czech Republic in the current programming period reached to EUR 26.9 billion. The EU Cohesion Policy budget allocation for the Czech Republic has decreased because of several reasons. The first reason was constructed as a saving Multiannual financial framework. It means that the allocation for cohesion policy that is founded by EU Funds, has been reduced for all EU Member States. The second reason is

the fact that the Czech economic performance has increased in recent years. This positive economic development reduced the need of financial assistance from the EU Funds. The overall socio-economic situation of each EU country and the state of public finances is also important to determine the amount of the contribution from the EU Cohesion Policy in accordance with the principle of solidarity. This is also the reason why the budget for the new EU Cohesion Policy 2014 – 2020 created a special amount to help young people in the labour market in regions which are affected by high unemployment.<sup>195</sup>

It is also important to note that the Czech delegation managed to negotiate an increase of EUR 900 million, so the allocation for the Czech Republic could have been even lower. The Czech Republic **became net beneficiary of the EU budget for future period** and it has managed to get a record increase in the net position. In the period 2007 – 2013, the net position represented 1.3 % of GDP, but there is expected an increase slight to 2 % of GDP in the period 2014 – 2020. It means that the **Czech Republic will become stronger net beneficiary than in the current period**. The Czech delegation has also managed to negotiate value added tax as the eligible costs for cohesion projects. The result of this step entails other incomes to the state budget. The Czech Republic will save other funds in the amount of EUR 1.2 billion which may not pay to the EU budget. This amount corresponds to roughly one annual payment of the Czech Republic into the EU budget. These funds can be later used to support the competitiveness of the Czech economy. The most important objective for the next programming period should be efficiently and transparently drawn funds from the EU. The matter of a size of the Union contributions to the EU Cohesion Policy has not been completed yet. As mentioned in chapter 3.4, the European Parliament rejected the form of the Multiannual financial framework 2014 – 2020 that was agreed within the meeting of the European Council in February 2013. The negotiations will have to be open again and therefore the amount for the Czech Republic may still change.<sup>196</sup>

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<sup>195</sup> GOVERNMENT OF THE CZECH REPUBLIC. Tiskový brífink premiéra Petra Nečase po jednání Evropské rady, 8. února 2013. *Vláda.cz* [online]. 2013b [cit. 2013-03-19]. Available from: <http://www.vlada.cz/cz/media-centrum/tiskove-konference/tiskovy-brifink-premiera-petra-necase-po-jednani-evropske-rady--8--unora-2013-103423/>.

<sup>196</sup> GOVERNMENT OF THE CZECH REPUBLIC. The Czech Republic gained additional 900 million EURO in the Cohesion Policy. *Vláda.cz* [online]. 2013a [cit. 2013-03-19]. Available from: <http://www.vlada.cz/cz/evropske-zalezitosti/aktualne/the-czech-republic-gained-additional-900-million-euro-in-the-cohesion-policy-103496/>.

## 4.4 The implementation of the EU Cohesion Policy in the Moravia-Silesia region

*The Moravia-Silesia region* is located in the north-eastern part of the Czech Republic and creates itself one separate NUTS 2 region. The capital of the region is *Ostrava*. The centre of regional economic growth is located in agglomeration of the Ostrava-Karvina area, where lives the major part of the population of this region. The Moravia-Silesia region is the third largest region in the Czech Republic in terms of population (more than 1.2 million inhabitants in 2012). Its economy has been historically based on metallurgy, mining and heavy engineering. However, the dynamics of the regional development is one of the largest in the Czech Republic in recent years, mainly due to massive foreign investment. Even if the Moravia-Silesia region still benefits from its industrial history, it starts to change the structure of its economy by investing towards light and automotive industry. In addition, local companies are beginning to advance significantly on the fields of information and innovative technologies and especially in the development of services. The development of the region is also supported by investments in infrastructure, industrial zones, technology centres and business incubators. The regional GDP per capita in 2011 reached 87 % of the Czech Republic average (4th place of Czech regions) and 70 % of the EU-27 GDP average. The median wage of the population averaged in 2011 around EUR 837 per month.<sup>197</sup> The Moravia-Silesia region is still struggling with **negative consequences of its economic history**, especially in the field of labour and environment. The biggest problem is unemployment which exceeds 10 % and the poverty rate, which reached to 22 % in 2011. That is the second worst value of all Czech regions. Due to the economy structure, the Moravia-Silesia region has most problems of all regions in the Czech Republic in the field of environment and especially the air pollution. Despite these handicaps, the Moravian-Silesian region became an important place for business development, university education, culture and social life in general.<sup>198</sup>

### 4.4.1 The Moravia-Silesia region potencial for the programming period 2007 – 2013

The SWOT analysis identifies strengths and weaknesses of examined objects and opportunities and threats to their development and that is the reason why is used to create policies and strategies. This also applies to development of strategies at the regional level

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<sup>197</sup> Conversion according to the exchange rate of the Czech National Bank of 21 March 2013.

<sup>198</sup> CZECH STATISTICAL OFFICE. Statistical Yearbook of the Moravia-Silesia Region 2011. Czso.cz [online]. 2013 [cit. 2013-03-21]. Available from: [http://www.czso.cz/csu/2011edicniplan.nsf/engpubl/801011-11-eng\\_r\\_2011](http://www.czso.cz/csu/2011edicniplan.nsf/engpubl/801011-11-eng_r_2011).

in the EU Cohesion Policy. The **strength** of the Moravia-Silesia region is particularly in advantageous position on the border of three EU Member States and its favourable transport accessibility by all means of transport. Another advantage brings a strong industrial base, well-developed network of universities and higher than average proportion of students in technical fields. The Moravia-Silesia region is very rich in cultural events and opportunities to travel. An important rarity presents the amount of technical and industrial monuments. In urban areas, there is a very well secured broad network of public services. **Weaknesses** of the region lie in poor conditions of lower classes of roads and of the environment due to industrial and mining burden on landscapes. In economic field, there are weaknesses in the low cooperation among local universities, labour market and private sector and long-term unemployment which is higher than in other regions of the Czech Republic. The Moravia-Silesia region underutilized its tourism potential, suffers from a lack of integration of specific groups in society and the labour market as well as low availability of public services in rural areas.<sup>199</sup>

The Moravia-Silesia region **opportunities** lie in a large number of investment challenges and available resources to support business development infrastructure for all means of transport and restore brownfields for business and housing. There is ongoing cooperation for higher skills of students and a development of innovation between some businesses and universities. In recent years, the Moravia-Silesia region has experienced a development of the automotive industry, but also in nearby regions of the Slovak Republic and Poland. This region is also characterized by a development of clusters, competitiveness of the labour force, prevention of socially pathological phenomena and commercial use of the region potential for tourism. But there are also some **threats** for the development of the region, such as delayed building business and transport infrastructure, lack of solutions to environmental issues, especially pollution and inappropriate use of energy resources, the departure of skilled labour and low share of investment in science and research as well as inadequate use of results in commerce. The regional industrial base of the economy is highly energy-intensive and the region is existentially dependent on large companies. In terms of tourism, a negative image of the region remains because of the deteriorating security and some related problems of citizens and ethnic minorities.<sup>200</sup>

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<sup>199</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION. *Regional Operational Programme of the Moravia Silesia Cohesion Region 2007 – 2013*. [online]. 2011 [cit. 2012-03-21]. Available from: <http://www.rr-moravskoslezsko.cz/file/2820/>.

<sup>200</sup> Ibidem.

*The Moravia-Silesia Region Development Programme 2006 – 2008* for implementation of regional development of the Moravia-Silesia region was created in 2006. Its goal was to create an attractive place to live and work with a dynamic economy, healthy inhabitants, nice environment and rich culture. For its implementation, there were created five priority areas that are further sub-divided into twenty-two objectives. The priority areas for the development of the Moravia-Silesia region were determined in a competitive business support areas, an improvement of human resources, an increase of attractiveness of the region through a progress of transport and tourism infrastructure, a development of urban and rural areas. These priorities were then reacted to the Regional Operational Programme Moravia-Silesia 2007 – 2013 which is responsible for fulfilling these objectives through regional investment projects which are co-financed by the EU Funds.<sup>201</sup>

#### **4.4.2 The Regional Operational Programme of the Moravia-Silesia region 2007 – 2013**

This Operational Programme is one of the tools for the Moravia-Silesia region that contributes to achieving the above-mentioned strategies. The ROP Moravia-Silesia must relate to all its superior documents, strategies and legislation at national and European level. It must respect the principles set out in the NSRF as enhancing competitiveness of the Czech Republic and its regions, strengthening social cohesion and harmonious and balanced development of the regions in strict accordance with the three pillars of the EU Cohesion Policy: economic, social and territorial cohesion. The ROP Moravia-Silesia **global objective** is to speed up its development and upgrade its competitiveness through more efficient utilization of its potential, improve its quality and attractiveness for investors, residents and tourists, namely through the modernisation of infrastructure and improve conditions for work and leisure time activities and strengthen the competitiveness of the region through creation of conditions for business and by active marketing of this region. The priority axes and their areas of support are pictured in the Enclosure 12. This global objective is pursued through five specific objectives, which are then implemented by the **five priority axes**.<sup>202</sup>

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<sup>201</sup> AGENTURA PRO REGIONÁLNÍ ROZVOJ. *Program rozvoje Moravskoslezského kraje*. [online]. 2006 [cit. 2012-03-21]. Available from: [http://dataplan.info/img\\_upload/7bdb1584e3b8a53d337518d988763f8d/msk\\_prk\\_2k6\\_c.pdf](http://dataplan.info/img_upload/7bdb1584e3b8a53d337518d988763f8d/msk_prk_2k6_c.pdf).

<sup>202</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION [online], 2011, ref. 204.

- Priority axis 1 – Regional Infrastructure and Accessibility,
- Priority axis 2 – Support for the Prosperity of the Region,
- Priority axis 3 – Urban Development,
- Priority axis 4 – Rural Development,
- Priority axis 5 – Technical Assistance.

The main objective of the first priority axis is „*to upgrade the transport infrastructure, the infrastructure of crisis management and transport services in the region, while at the same time respecting environmental protection rules*“. In this priority axis, the ROP aids to ensure the quality of lower-class roads, building trails for walking and cycling, the development and availability of Ostrava Leos Janacek Airport, development of public transport that is friendly to environment and to build a common control centre for emergency services. The second priority axis focuses „*to improve economic prosperity and quality of life in the region, while reducing the unemployment rate*“. In this priority axis, the interventions aims at enhancing of the quality of education, improving the quality and availability of facilities that provide services to socially disadvantaged groups, increasing the quality of health services, improving tourism infrastructure and regenerating of brownfields. „*The all-round improvement of the environment in towns and their public infrastructure, as needed for their sustainable development*“, is the goal of the third priority axis. The funds in this axis help to increase the attractiveness of cities in the Moravian-Silesian region due to the regeneration of urban centres, restore cultural and technical heritage, building cultural and leisure facilities, the use of brownfields, development of public services, improvement of urban transport and integrated approach to the problems of big cities. The fourth priority axis „*supports the overall development of rural areas and preserves the key functions of the rural space of the Moravia Silesia Cohesion Region for residents, visitors and investors*“. This priority axis accepts projects that create sufficient capacity of public services in rural areas, particularly with regards to the changing demographic composition of the population. Then it promotes to increase the attractiveness of rural areas, helps to protect natural and cultural heritage and regenerate brownfields, etc. Last priority axis is the Technical Assistance. Its aim is to „*to build institutional capacities and prepare technical and administrative conditions for the implementation of the Regional Operational Programme of the Moravia Silesia Cohesion Region, and its better absorption capacity*“. This axis has to ensure sufficient administrative capacity, to create conditions to ensure motivation and education throughout the implementation of the

operational programme. It will also focus on the processing of studies and strategies, publicity and preparation of the Moravia-Silesia region for the future programming period 2014 – 2020.<sup>203</sup>

The Regional Operational Programme Moravia-Silesia obtained the amount of **EUR 732,274,322** for the programming period 2007 – 2013. It represents 2.66 % of the total allocation of the Czech Republic in this period. The Czech public resources were further increased its budget by another EUR 129,224,881 million. The financial support for this ROP is divided according to the priority axes:

- Regional Infrastructure and Accessibility – 41.13 %,
- Support for the Prosperity of the Region – 25.47 %,
- Urban Development – 23.23 %,
- Rural Development – 6.85 %,
- Technical Assistance – 3.32 %.

The Enclosure 13 shows the **summary state of utilization** of the EU Funds by the Operational Programmes under the Convergence objective. The requests for support from the EU Funds can be submitted to the Managing Authority by a wide range of applicants, such as regional authority, municipalities, state enterprises, private companies, professional organizations, schools and universities, medical facilities, etc. The only condition is that the applicant of the subsidy has to come from the Moravia-Silesian region. The Development of the Moravia-Silesia region is supported also by the Thematic Operational Programmes, the European territorial cooperation programmes, the Operational Programme for Rural Development, etc. The rate of co-financing by the ERDF is 85 % for the ROP Moravia-Silesia. The Table 4.4 shows the size of the ERDF allocation for each priority axis of the ROP Moravia-Silesia.

**Table 4.4: Allocation of the ERDF for the ROP Moravia-Silesia priority axes**

Priority Axis	EU Contribution	In % of the Programme	Czech Contribution
Regional Infrastructure and Accessibility	301,219,202	41.13	53,156,330
Support for the Prosperity of the Region	186,509,287	25.47	32,913,402
Urban Development	170,072,139	23.23	30,012,732
Rural Development	50,126,525	6.85	8,845,858
Technical Assistance	24,347,169	3.32	4,296,559
<b>Total</b>	<b>732,274,322</b>	<b>100</b>	<b>129,224,881</b>

Source: MINISTRY OF REGIONAL DEVELOPMENT CZ. [online], 2013; own elaboration, 2013

<sup>203</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION [online], 2011, ref. 199.



Since the beginning of the programming period 2007 – 2013, there were filled 1,426 requests for assistance from the EU Funds under the ROP Moravia-Silesia in the total amount of 162.1 % of its allocation. That corresponds to a total value of more than EUR 1.187 billion. By 6 February 2013, there were concluded 670 contracts for project co-financed by the ROP Moravia-Silesia in the volume of EUR 604 million (82.6 % of its total allocation). In addition, further 152 applications are in the approval process. Also, it can be seen that there was approved only 47 % of the total number of applications. The Regional Council of the Cohesion Region Moravia-Silesia has reimbursed nearly EUR 390 million so far. There were 471 projects completed by February 2013. The value of projects submitted for reimbursement by the European Commission reached at the beginning of 2013 the amount over of EUR 300 million. This amount represents 41.5 % of the total allocation of financial assistance from EU Funds for this Operational Programme. Some data on the number of projects under the ROP Moravia-Silesia are shown in Table 4.5

**Table 4.5: Selected data on the projects of the ROP Moravia-Silesia**

Priority Axis	Submitted Applications	Approved Applications	Completed Projects
Regional Infrastructure and Accessibility	130	79	42
Support for the Prosperity of the Region	499	241	154
Urban Development	345	156	110
Rural Development	431	176	153
Technical Assistance	21	18	12
<b>Total</b>	<b>1426</b>	<b>670</b>	<b>471</b>

Source: MINISTRY OF REGIONAL DEVELOPMENT CZ. [online], 2013; own elaboration, 2013

#### **4.4.3 The proposal of the Integrated Regional Operational Programme for the programming period 2014 – 2020**

Preparation of the Moravia-Silesia region for the future programming period has been executed since 2011, when the legislation of the EU Cohesion Policy 2014 – 2020 at the European level was published. The first reaction was to update the Moravia-Silesia Region Development Strategy 2009 – 2016 so as to be consistent with the objectives that will be implemented in accordance with the Europe 2020 Strategy and with the length of the cohesion policy by 2020. It is also based on the current Regional Operational Programme and other strategies at national and regional levels (e.g. the Regional Innovation Strategy, regional strategies on the field of infrastructure, environment, tourism, etc.). *The Regional Development Strategy 2009 – 2020* has got five global objectives, which are made up of

thirty-one specific objectives that have their indicators to monitor progress. The **global objectives** are as follows:<sup>204</sup>

1. Competitive, innovation – based economy,
2. Good education and high employment – opportunities for all,
3. Cohesive society – quality health care, targeted social services and successful fight against poverty,
4. Quality environment, services and infrastructure to live, work and visit,
5. Effective governance.

**All current Regional Operational Programmes will be replaced by the Integrated Regional Operational Programme** in the programming period 2014 – 2020. As mentioned in section 4.3.4, the IROP will be financed by the ERDF and will be managed by the Ministry of Regional Development. However, some of its agenda will be delegated to the Intermediary Bodies which will be probably a part of each current Regional Council of the Cohesion Regions. The Intermediary Bodies will take the form of either semi-budgetary organizations of the region authority or joint-stock companies and it will be used only for the payments of projects and counselling. The final form of the IROP implementation is not decided yet. This solution has been selected mainly because the drawing of the resources from EU Funds earmarked for the period 2007 – 2013 will still continue until 2015, and then there will be still a termination and evaluation of the current programming period. This means that the Moravia-Silesia region should basically operate as in the current period some years after the official closure of the current programming period.<sup>205</sup> The idea to replace seven ROPs by one *Integrated Regional Operational Programme* met opposition in regions themselves. There were worries about the jobs losses, the disappearance of tried and tested implementation structure of the ROPs and ignorance of regional problems whose solution would not be effective at the national level. There are several reasons why the Ministry and the Czech Government agreed with this change. The most important element of the future functioning should be to simplify the system of subsidies under the IROP. The main role in the emergence of the one IROP played **corruption cases** that have been revealed in some regions in recent years. There is

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<sup>204</sup> AGENTURA PRO REGIONÁLNÍ ROZVOJ. *Strategie rozvoje Moravskoslezského kraje 2009 – 2020* [online]. 2012 [cit. 2012-03-23]. Available from: [http://verejna-sprava.kr-moravskoslezsky.cz/assets/rozvoj\\_kraje/srk\\_2009\\_2020.pdf](http://verejna-sprava.kr-moravskoslezsky.cz/assets/rozvoj_kraje/srk_2009_2020.pdf).

<sup>205</sup> EUROACTIV.CZ. Daniel Braun: V přípravě kohezní politiky zatím míříme na pohyblivý terč. *Euractiv.cz* [online]. 2012b [cit. 2013-03-27]. Available from: <http://www.euractiv.cz/regionalni-rozvoj/interview/daniel-braun-v-priprave-kohezni-politiky-zatim-mirime-na-pohyblivy-terc-010592>.

also expected more transparency and a stronger emphasis on control of the entire system of implementation of the EU Cohesion Policy at the regional level during the period 2014 – 2020 because of **only one Managing Authority**. It has not solved yet how the precise implementation structure of the IROP and the allocated amount from the ERDF will look like. Also there is still addressed the issue of implementation of integrated approaches and applications of spatial dimension.<sup>206</sup>

But the forms of priority axes of the IROP are already known. There will be eight priority axes which will be adequately linked to the thematic objectives of the Common Strategic Framework, which were introduced in section 2.2.1. The proposed IROP axes are as follows:<sup>207</sup>

1. **Support accessible and sustainable regional transport and serviceability priority axis** follows the seventh thematic objective and the proposal presents two areas of support. One is supposed to focus on the development of Class II and Class III, but the other on the development of infrastructure for public transport.
2. **Development of tourism and cultural heritage priority axis** corresponds to the third and sixth thematic objective. The proposed areas of support are focused on the development of infrastructure, services and marketing for tourism. This priority axis could also include the development of tourism in Prague, but this point is still under discussion as well as the promotion of tourism in rural areas which should be financed from the Operational Programme for Rural Development. This priority axis is also ideal for applying an integrated approach.
3. **Promoting energy efficiency in municipalities and regions priority axis** should match to the fourth thematic objectives and it would operate on the basis of three areas of support such as the improving energy efficiency in buildings, public infrastructure and support of low-carbon strategies. In this priority axis is considered the use of financial instrument JESSICA.

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<sup>206</sup> EUROACTIV.CZ. Vláda dnes projedná budoucí nastavení operačních programů, bude jich osm. *Euractiv.cz* [online]. 2012a [cit. 2013-03-27]. Available from: <http://www.euractiv.cz/regionalni-rozvoj/clanek/vlada-dnes-projedna-budouci-nastaveni-operacnich-programu-bude-jich-osm-010425>.

<sup>207</sup> MINISTRY OF REGIONAL DEVELOPMENT CZ. *Návrh prioritních os IROP*, working document, 2012.

4. **The priority axis of social and medical infrastructure** which is linked to the ninth thematic objective could support services in the field of social integration and health care. These services are primarily provided by public institutions so it is still under negotiations with the concerned ministries.
5. **Support for the development of education infrastructure priority axis** has only one area of intervention which is supposed to focus on the development of infrastructure for education. There is finding a way how to connect this priority axis, which is in line with the tenth thematic objective, with the partly co-financing by the ESF through a global grants.
6. **Support of integrated development of urban areas and region priority axis** combines the eighth and ninth thematic objective. The areas of support should include the promotion of sustainable urban development and integrated development of area. Employment, social inclusion and combating poverty should become the priority in urban areas. Furthermore, the framework of urban development counts on the implementation of integrated plans which will also help other priority axes IROP. In addition, it should focus on strengthening the role of urban centres as natural growth poles in regions, education and the environment. The urban development will also contribute significantly to thematic operational programmes.
7. **Strengthening of institutional capacity and improving efficiency in the regional public administration priority axis** corresponds to the second and the eleventh thematic objective. In this priority axis, there is still being addressed the issue of public administration support between Less developed and More developed regions. The areas of support should focus on the development of ICT in public administration, in particular the introduction and development of digitizing agendas as e-Government, e-Health, e-Justice, e-Commerce, e-Business, etc. Then, it will focus on promotion of institutional capacity, programme planning and procurement documentation of the regions and municipalities.
8. The last proposed priority axis is the **Technical Assistance**. It should be directed, as in the current period, to support the activities of the Managing Authority and Intermediary Bodies within a comprehensive implementation of the Operational Programme. This priority axis should consist of support activities associated with the programme management and other costs of technical assistance. Discussed area

is also the possibility to use this priority axis for the OP Prague - pole of growth in the Czech Republic.

#### **4.4.4. The form of the EU Cohesion Policy implementation in the Moravia-Silesia region in the programming period 2014 – 2020**

The Moravia-Silesia region would like to be ready for the beginning of the programming period 2014 – 2020. It would practically use the structural funds to meet the higher competitiveness and living standard of its inhabitants. That is the reason, why the Regional Council of the Moravia-Silesia Cohesion Region prepares training, conferences, initiatives and strategies in cooperation with the regional partners from business and public area. One of them is the *Smarter Region: Moravia-Silesia 2020*. It is the initiative of the Regional Council of the Cohesion Region Moravia-Silesia which ensures the **preparation** of this region for the future programming period 2014 – 2020. Financing for this initiative is provided in Priority axis 5 – Technical Assistance of the Regional Operational Programme Moravia-Silesia. The aim of this programme is to create a platform for discussion of topics related to the Europe 2020 Strategy and the form of the future cohesion policy at Czech and European level. Partners involved in this programme also have to discuss the priorities and forms of implementation of regional strategies and the best way of implementation of the IROP. The aim is to create sufficient absorption capacity for investment from EU Funds, reconcile preparing the region in cooperation with other regions and coordinate the various regional strategies in the context of the priorities of the Europe 2020 Strategy and support the training of relevant target groups for the new form of the EU Cohesion Policy in the Czech Republic after the 2013. The Regional Authority, the Regional Development Agency as well as the Association for the Development of the Moravia-Silesia region are responsible for preparation of the region for the implementation of the future cohesion policy. The main coordinator of this project is the Regional Council.<sup>208</sup>

The Smarter Region: Moravia-Silesia 2020 programme is based on **three pillars**: Competences of Tomorrows, Pilot Verification and Plan for Investments. *Competences of Tomorrow* pillar is to explain to partners the preparations and proposals of the implementation form of the IROP through various conferences, round tables, seminars and other educational events. *The Pilot Testing* is the second pillar which aims to develop new

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<sup>208</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION. Rozšiřujeme partnerství. *Rr-moravskoslezsko.cz* [online]. 2013c [cit. 2013-03-27]. Available from: <http://www.rr-moravskoslezsko.cz/eu2014/rozsirujeme-partnerstvi>.

financial instruments that will enable new and integrated multi-funds co-financing approaches that the Moravian-Silesia region would like to use more. The pillar *Plan for Investments* is focused on an absorption capacity and readiness of the region for investments in the new programming period. The cost of this programme varies over EUR 750,000. One of the first projects of this programme is the *newsletter Smarter Region* which has regularly provided the latest information on topics relevant to the preparation and the new possibilities of financing projects in the programming period 2014 – 2020 not only in the Moravia-Silesia region.<sup>209</sup>

There is emphasis on development through *the Integrated Territorial Investments* (ITI) due to the specific settlement and demographic layout of the Moravia-Silesia region. The most of local residents as well as most economic activities take place in Ostrava agglomeration. This area includes five statutory towns<sup>210</sup>, where live over 600 000 inhabitants. This situation brings some complications and problems in the areas of infrastructure, environment, and social affairs. The ITI will be implemented through cooperation above mentioned towns in common priorities and projects, but the impact of these integrated interventions will be wider in the Ostrava agglomeration. Integrated development will enable the realization of investments with different OPs and priority axes in a particular place. Therefore, the Thematic Operational Programmes have set up their regional dimension. The resources for ITI will also be combined well with the assistance from the ESF and the Cohesion Fund. The Integrated Territorial Investments will focus on interventions in accordance with the **thematic objectives** as *Shift towards a low-carbon economy, Environmental protection and resource efficiency, Sustainable transport and removing bottlenecks in key network infrastructures and Social inclusion and combating poverty*. The Regional Council Moravia-Silesia will be responsible for the ITI realization but it will be implemented by the municipalities. The development of the strategy for the implementation of ITI must be based on the synthesis of development strategies involving individual municipalities.<sup>211</sup> The Moravia-Silesia region also foresees in the future programming period the implementation of the development territory integrated plans that create coordinated cooperation in the implementation of sectoral policies on the specific

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<sup>209</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION [online], 2013c, ref. 208.

<sup>210</sup> The five statutory towns include Frydek-Mistek, Havířov, Karviná, Opava, Ostrava.

<sup>211</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION. Integrované územní investice budou sjednocujícím prvkem let 2014 – 2020. *Rr-moravskoslezsko.cz* [online]. 2013a [cit. 2013-03-27]. Available from: <http://www.rr-moravskoslezsko.cz/eu2014/integrované-uzemni-investice-budou-sjednocujícím-prvkem-let>.

territory. These plans will include activities and projects linked to tourism development. The municipalities will create a strategy for tourism development together in certain parts of the Moravia-Silesia Region and then they will implement projects in accordance with the IROP and their development territory integrated plans.

Another instrument prepared in the Moravia-Silesia region will be the *Joint Action Plan* (JAP). The Moravia-Silesia region has a very specific labour market. Due to the long-lasting restructuring of the regional economy, it suffers by long-term and structural unemployment. The Joint Action Plan is designed to integrate solutions concerning the labour market and create space for effective implementation of projects co-financed by the EU Funds under the employment policy in the region. The Joint Action Plan is prepared by the Association for the Development of the Moravia-Silesia region in cooperation with private companies, public institutions, universities, non-governmental organisations, experts on the labour market, etc. There has been created the *Moravia-Silesia Employment Pact* which concentrates on contribution to a regional strategy that will support the creation of new jobs and improve the qualifications and training of the inhabitants. This Pact has five priorities:<sup>212</sup>

1. **More and better job posts** – comprehensive education and training, the creation of new jobs, flexible labour market adjustment of legislation and implementation of the elements of flexicurity.
2. **Technical and workmanship excellence** – promotion of technical and craft disciplines, the development of science and technologies, close cooperation between schools and top local firms.
3. **Perfect services** – developing the quality and volume of services for consumers and companies, raising the attractiveness of the region for foreign investors, developing language, computer and soft skills of the population.
4. **Ahead-going approach and creativity** – projects that will specifically seek entrepreneurial talents and help create conditions for their application.
5. **Employment for everyone (who wants to be employed)** – focuses on improving the conditions for entry into the labour market, people with disabilities.

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<sup>212</sup> MORAVIA-SILESIA EMPLOYMENT PACT. What is the Employment Pact. *Mspakt.cz*. [online]. 2013a [cit. 2013-03-27]. Available from: <http://www.mspakt.cz/what-is-the-employment-pact/?lang=en>.

For the period 2014 – 2020, there has been created a strategy called the *Joint Action Plan: Employed and educated Moravia-Silesia region*. The aim of this strategy is to develop integrated measures to solve problems on both sides of the labour market in the region. The goal of the current preparation is to develop a methodology for the implementation of the JAP during the future programming period according to the principle of partnership. Projects will have to be built on the principles of an integrated approach and partnership among all groups of potential applicants to link supply and demand in the labour market in the Moravia-Silesia region. This JAP will also shield the Moravia-Silesia Employment Pact and its preparation is financed from the Technical Support axis of the ROP Moravia-Silesia. The beneficiaries of this support may be only the public organisations. The JAP can be a part of more Operational Programmes and may be financed by the ERDF and the ESF.<sup>213</sup>

**The Moravia-Silesia region is the first Czech region** which is preparing itself for the use of EU financial resources from *the Joint European Support for Sustainable Investment in City Areas (JESSICA)* in the period 2014 – 2020. JESSICA Holding Fund was signed in February 2010 between the European Investment Bank and the Regional Council of the Cohesion Region Moravia-Silesia. JESSICA thus creates, along with other financial instruments, an alternative tool to the current model of the subsidy, because it works on the principle of using returnable financial resources and fills in the gap between the loans in the banking sector and the public subsidies. These resources are used as loans, guarantees, capital investment etc., which are provided for investment in the development of urban areas.<sup>214</sup> The advantage of JESSICA financial instrument is less administrative complexity and easier way to get resources from the EU Funds. The private and public institutions may ask for this type of assistance. Another advantage is the return of the financial resources and the possibility of their further use. Thus, there is a pressure on the implementation of such projects that are cost effective, sustainable and targeted. Another advantage is a leverage investment, because it helps to involve more private investment sources, which are also controlled by a private entity. The advantage for the recipients is the fact that they can raise funds for the implementation of its plan with lower interest rates and long-term

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<sup>213</sup> MORAVIA-SILESIA EMPLOYMENT PACT. Joint Action Plan – The employed and educated Moravian-Silesian Region. *Mspakt.cz*. [online]. 2013b [cit. 2013-03-27]. Available from: <http://www.mspakt.cz/joint-action-plan-the-employed-and-educated-moravian-silesian-region/?lang=en>.

<sup>214</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION. JESSICA. *Rr-moravskoslezsko.cz* [online]. 2013d [cit. 2013-03-27]. Available from: <http://www.rr-moravskoslezsko.cz/moznosti-financni-podpory/jessica>.



maturity. JESSICA supports projects aimed at revitalizing neglected urban areas and strengthens the business environment.<sup>215</sup>

The Regional Council of the Cohesion Region Moravia-Silesia established two urban development funds which are managed by the Czech-Moravian Guarantee and Development Bank and by the Contera Urban Development Fund. For the purposes of the establishment of these two urban development funds have been earmarked EUR 20 million from the ROP Moravia-Silesia already in the current period. However, the real use of these funds has not started yet because the first two projects are still in the evaluation procedure.<sup>216</sup> That means that its real use will continue during the programming period 2014 – 2020. The JESSICA has narrowly profiled **material and territorial scope**. The funds may be used only for the construction, modernization and reconstruction in the areas of.<sup>217</sup>

- Revitalisation of brownfields (clearance, decontamination),
- Urban Infrastructure (transport, water, waste, energy etc.),
- Infrastructure for tourism and leisure activities,
- Infrastructure of the public services (education, health care, social services).

The condition for obtaining a loan from JESSICA is that the project must be implemented in the Moravia-Silesia region and must be included in the Integrated Territorial Investments. Another condition is the financial return of the project which will allow repayment of the loan. The amount of loan can reach up to EUR 4 million while its financial return must be at least 5.5 %. The aid beneficiary may be a municipality which has more than 5,000 residents. The interest rate will remain at the same level throughout the repayment period. Private entity interest rate will be set according to a special formula. Maturity can last for both subjects up to 15 years.<sup>218</sup> All Moravia-Silesia region activities are directed to the preparation of effective instruments that can be implemented in the Integrated Regional Operational Programme in order to remove the handicap of absence of own cohesion regions interventions.

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<sup>215</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION. JESSICA. [online]. 2012b [cit. 2012-03-27]. Available from: <http://www.rr-moravskoslezsko.cz/file/2240/>.

<sup>216</sup> REGIONAL COUNCIL OF THE MORAVIA-SILESIA COHESION REGION. *Fondy rozvoje měst*. [online]. 2012a [cit. 2012-03-27]. Available from: <http://www.rr-moravskoslezsko.cz/moznosti-financi-podpory/fondy-rozvoje-mest>.

<sup>217</sup> CZECH-MORAVIAN GUARANTEE AND DEVELOPMENT BANK. Úvěr z Fondu rozvoje měst Moravskoslezsko. *Cmzrb.cz* [online]. 2013 [cit. 2013-03-27]. Available from: <http://www.cmzrb.cz/produkty-a-sluzby/uver-z-fondu-rozvoje-mest-moravskoslezsko?ired=1>.

<sup>218</sup> CZECH-MORAVIAN GUARANTEE AND DEVELOPMENT BANK. [online], 2013, ref. 217.

## 5. Conclusion

This thesis is concerned with the future of the EU Cohesion Policy. The aim of the thesis was to present a proposed structure and functioning of the EU Cohesion Policy in the programming period 2014 – 2020 and to assess consequences of its reform for the Czech and Moravia-Silesia region. The proposed form of the EU Cohesion Policy is compared to the implementation of this policy in the programming period 2007 – 2013 to explain the changes in the future direction of the economic, social and territorial cohesion.

Different pace and structure of the European regions development leads to an increase of regional disparities. The answer to this problem, the regional policy which aimed to reduce these disparities, was created in the 80's of 20th century. Over the decades, it has been developed to the present form of the EU Cohesion Policy. There can be said that the hypothesis was partially confirmed because the European Commission in cooperation with member states tried to create a cohesion policy for the future programming period that will respond to the current situation which the EU encounters itself in. The future EU Cohesion Policy should be **more targeted**. It will be strongly connected to the Europe 2020 Strategy to contribute to the achievement of its objectives. It is for the first time in the EUs history when the Multiannual financial framework 2014 – 2020 decreased, but the EU Cohesion Policy has taken **the strongest position** within it. This policy will be **more efficient** and **focused** not only on the **cohesion** of European regions, but also on their **competitiveness**. This objective should be achieved through the setting of eleven thematic objectives that cover economic, social and territorial dimension of the EU Cohesion Policy.

An important feature of the EU Cohesion Policy 2014 – 2020 will be a **simplification** of the whole system. The aim is to reduce the overall administrative burden and complexity of the assistance process of obtaining EU Funds. Among the elements of simplification can be included harmonization rules for all funds of the Common Strategic Framework, an easier use of the Joint Action Programmes and an establishment of the European Grouping of Territorial Cooperation or an employment of the ICT in the implementation of this policy. The emphasis will be placed on **greater involvement of financial instruments** in the implementation of investment activities and the use of an **integrated approach**. Each member state will have established **performance framework** for all operational programmes whose funds will not be released until the achievement of milestones and targets. The realization of investments will be a subject of ex-ante and ex-post conditions.

Other features include simplification and **reduction of goals** and for the provision of structural aid, there were introduced **three types of regions**. All these steps should also make this policy **more transparent**. The Community Strategic Guidelines on cohesion will be replaced by the Common Strategic Framework as well as the National Strategic Reference Framework will be substituted by the Partnership Contract. But their mission remains the same.

The Czech Republic is currently preparing for the implementation of future cohesion policy to prove drawing of the aid from the EU Funds in the most effective way to develop its potential. The Czech Republic reached very satisfactory economic results until the economic crisis and belongs to the most developed countries that joined the EU after 2000. The **Czech Republic** defines its development priorities in several strategic documents that match the EU priorities. An important element of simplification of the future EU Cohesion Policy implementation is a radical **reduction of operational programmes** in the period 2014 – 2020. All Regional Operational Programmes were replaced by **one Integrated Regional Operational Programme**. This step should achieve a greater focus on systemically important investment in the economy and society and also simplify the supervision of the EU Funds use. After bad experience from the current programming period, the simplification of the EU Cohesion Policy implementation ought to bring also greater transparency at the national level. The Czech Republic should dispose more than **EUR 20 billion** during the period 2014 – 2020 and it will become a net beneficiary of the EU budget again. Nevertheless, a complete confirmation of the hypothesis will be possible only after full completion of the programming period 2014 – 2020.

The Moravia-Silesia cohesion region is one of the most dynamic regions in the Czech Republic and it has a great development potential. There is a very strong industrial base in this region, which is a consequence of the historical development of coal mining and heavy industry. The development of this sector is considerably left its mark on the current state of the environment of the region. At present, the Moravia-Silesia region is attracting investment particularly in ICT and light industry. Problems remain in the labour market and lagging peripheral regions. The Moravia-Silesia region made great progress in its development and it is one of the most successful regions in the Czech Republic in drawing on the assistance of EU Funds. The regional authorities, in cooperation with partners, prepare many initiatives and programmes for the future period to ensure efficient use of EU Funds. The **Moravia-Silesia region** wants to utilize all benefits that the EU Cohesion

Policy reform brought. It will be also the first region in the Czech Republic that draws funds from the **Jessica** financial instrument. Finally, it would be mentioned that the Multiannual financial framework have not been approved yet by the EU authorities, nor proposals for the EU Cohesion Policy 2014 – 2020, and the negotiating **process is still ongoing**. However, significant changes are not expected yet.

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## List of abbreviations

CAP	Common Agriculture Policy
CBC	Cross-Border Cooperation
CEF	Connecting Europe Facility
CF	Cohesion Fund
CSF	Common Strategic Framework
CSG	Common Strategic Guideline
EAFRD	European Agriculture Fund for Rural Development
EC	European Commission
ECs	European Communities
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEC	European Economic Community
EFTA	European Free Trade Area
EGF	European Globalization Adjustment Fund
EGS	Economic Growth Strategy
EGTC	European Grouping of Territorial Cooperation
EIB	European Investment Bank
EMU	Economic and Monetary Union
ERDF	European Regional Development Fund
ESF	European Social Fund
ESM	European Stability Mechanism
ETC	European Territorial Cooperation
EU	European Union
EURATOM	European Atomic Energy Community
EUROSTAT	European Statistical Office

GDP	Gross Domestic Product
GNI	Gross National Income
ICT	Information and Communication Technologies
IOP	Integrated Operational Programme
IPA	Instrument for Pre-accession Assistance
IROP	Integrated Regional Operational Programme
ISPA	Instrument for Structural Policies for Pre-Accession
ITI	Integrated Territorial Investment
JAP	Joint Action Plan
LAU	Local Administrative Unit
MFF	Multiannual Financial Framework
NMS	New Member State
NPR	National Programme of Reforms
NSRF	National Strategic Reference Framework
NUTS	Nomenclature des Unites Territoriales Statistique Nomenclature of Territorial Units for Statistics
OP	Operational Programme
OPE	Operational Programme Environment
OPEC	Operational Programme Education for Competitiveness
OPEI	Operational Programme Enterprise and Innovation
OPEIC	Operational Programme Entrepreneurship and Innovation for Competitiveness
OPHRE	Operational Programme Human Resources and Employment
OPRDE	Operational Programme Research, Development and Education
OPRDI	Operational Programme Research and Development for Innovation

OPT	Operational Programme Transport
OPTA	Operational Programme Technical Assistance
PC	Partnership Contract
PHARE	Poland and Hungary Aid for Restructuring of the Economy
R&D	Research and Development
RDS	Regional Development Strategy
ROP	Regional Operational Programme
ROP CB	Regional Operational Programme Central Bohemia
ROP CM	Regional Operational Programme Central Moravia
ROP MS	Regional Operational Programme Moravia-Silesia
ROP NE	Regional Operational Programme North-East
ROP NW	Regional Operational Programme North-West
ROP SE	Regional Operational Programme South-East
ROP SW	Regional Operational Programme South-West
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEA	Single European Act
SF	Solidarity Fund
SGP	Stability and Growth Pact
SMEs	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, Treats
TEN-T	Trans-European Transport Network
TOP	Thematic Operational Programmes
VAT	Value Added Tax

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